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# ***Daily Report***

## **China**

FBIS-CHI-89-001  
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# Daily Report

## China

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3 January 1989

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## General

### Qian Qichen Views 40 Years of Diplomacy

OW0201134789 Beijing Domestic Service in Mandarin  
0530 GMT 2 Jan 89

["Recorded talk" by PRC Foreign Minister Qian Qichen—first "40 Years of Chinese Diplomacy" program]

[Text] Listeners, comrades, and friends:

Today the Central People's Broadcasting Station begins a special program—40 years of Chinese Diplomacy—to usher in the 40th anniversary of the founding of the People's Republic of China. I think this is a very meaningful thing. In this special program, some veteran comrades who have handled foreign affairs for a long period of time will be invited to talk about their experience in diplomatic events, and this will greatly help the listeners understand the course of the founding and development of New China's diplomatic work and its great achievements in this regard. I wholeheartedly support the special program, 40 Years of Chinese Diplomacy, and wish it success.

Looking back on the past 40 years, New China's diplomatic work, under the direct leadership of Comrades Mao Zedong, Zhou Enlai, Chen Yi, and Deng Xiaoping, has been rigorously tested by the changing international situation and made great contributions to defending China's independence and sovereignty, ensuring socialist construction, opposing hegemonism, and safeguarding world peace. The founding of new China marked the end of the more than 100-year history of humiliation in China's diplomacy. Old China was a semifeudal, semi-colonized country that suffered all kinds of aggression and oppression by imperialist powers and such miseries as humiliating the nation, forfeiting sovereignty, ceding territory, and paying indemnities.

When we founded the People's Republic we refused to recognize any of old China's foreign relations, abolished all unequal treaties, and eliminated all of the imperialists' special privileges and influences in China. New China announced that the Chinese Government would hold talks and establish diplomatic relations with any foreign government that severed diplomatic relations with the Taiwan authorities and assumed a friendly attitude toward the People's Republic of China, on the basis of equality, mutual benefit, and mutual respect for each other's territory and sovereignty. So far China has established diplomatic relations with 137 countries. As a member of the international community, New China is active in the international arena and takes an active part in international affairs from a stance of maintaining independence, keeping the initiative, and upholding equality.

New China's diplomacy was founded and developed on the basis of maintaining independence and keeping the initiative in our own hands. In response to changes in the situation at home and abroad, we have repeatedly made

adjustments and gradually formulated a complete foreign affairs line that follows unique styles [feng ge]. Its main features are maintaining independence; keeping the initiative; safeguarding peace; and stressing equality, mutual benefit, and common development. Its main styles are defying brute force, upholding justice, adhering to principles, seeking common ground while allowing differences, seeking truth from facts, and [words indistinct]. These features and styles of our foreign affairs have enabled New China to build a dignified image in the international community and win friends and prestige.

New China's diplomacy proceeds from the fundamental interests of the Chinese people and the people of the entire world. Its basic objective is to oppose hegemonism, defend world peace, develop friendship and cooperation among nations, and promote common prosperity. In order to attain these basic objectives, we have always adhered to the five principles of mutual respect for sovereignty and territorial integrity, mutual nonaggression, mutual noninterference in the internal affairs of others, equality and mutual benefit, and peaceful coexistence. Following these five principles, China has constantly developed friendly relations and cooperation with other countries in the world. China has settled boundary and double-nationality issues left over from the past with most of its neighboring countries through friendly consultations. China and the United States have normalized their diplomatic relations and their bilateral relations have been developing steadily. China is also trying to normalize its relations with the Soviet Union on the basis of these five principles.

The five principles of peaceful coexistence are basically the opposite of power politics. Countries with different social systems can be friendly and cooperate with each other as long as they adhere to the five principles of peaceful coexistence. If the five principles of peaceful coexistence are violated, even countries with the same social system are likely to end up in intense confrontation or even military clashes. History proves that the five principles of peaceful coexistence have a great vitality and that they have stood the test of the changing international situation over the period of 40 years since the war and gradually won widespread approval and acceptance in the international community.

Drastic changes are taking place in the international situation at present. The bipolar situation in which the United States and the Soviet Union dominate the world situation is fluctuating, development is uneven from country to country, regional political and economic cooperation is being enhanced, and the world is gradually becoming multipolar. People in various countries are striving to keep their destiny in their own hands; gone are the days when the superpowers could dominate the world and monopolize international affairs. After constantly escalating their arms race to the point where it seriously threatens world peace, the two superpowers have at last taken the first step in disarmament. Instead of being constantly intensified, local wars and regional

conflicts have gradually shown a tendency toward political settlement. Tremendous scientific and technological development is pushing human society forward, causing greater interdependence in the international economy and creating a new situation in which there is both competition and cooperation. Seeking development has become a task common to the people of all countries.

Generally speaking, the international situation is changing from confrontation to dialogue and from tension to relaxation. However, this does not mean that the world is now peaceful. Inherent contradictions and factors of instability still exist. The United States and the Soviet Union have not yet stopped their contention. They have just taken the first step in arms reduction. Regional conflicts are still far from being settled politically. The widening gap between the North and the South is particularly conspicuous. Many developing countries are experiencing serious economic difficulties. The majority of the people in most countries are poor and in an underdeveloped state. This situation seriously threatens world peace and stability and human progress and development.

In the current international situation, we think it is time to propose the establishment of new international relations. We stand for the establishment of a new international political order on the basis of the five principles of peaceful coexistence, promoting South-South cooperation through North-South dialogue, and gradually establishing a new international economic order characterized by equality and mutual benefit.

The changes in the international situation have provided a good opportunity for China to deepen reforms, open itself wider to the outside world, and step up socialist modernization. The changes also mean challenges. We should lose no time to even better implement our independent foreign policy for peace, serve our country's socialist modernization, strive to create a peaceful international environment, and work hard for world peace.

Thank you, and Happy New Year.

**World Situation in 1988, Detente Trend Viewed**  
*OW0201070089 Beijing International Service*  
*in Mandarin 0900 GMT 28, 29 Dec 88*

[Roundup of the world situation in 1988 by Radio Beijing foreign correspondents: "Let the Winds of Detente and Dialogue Warm Up the World"—broadcast as a two-part series]

[Text] Dear listeners: We will soon say goodbye to 1988. During this past year, the strong winds of detente and dialogue have blown away the dark clouds in international relations. The changes and the development in the world situation are encouraging, and people have been studying and analyzing these changes and developments. Some foreign correspondents of this station have expressed their views to our editorial department, and they are willing to exchange views with our listeners. We

have edited their comments into a two-part special feature entitled "Let the Winds of Detente and Dialogue Warm Up the World." The part we are going to broadcast today consists of these correspondents' review of East-West relations in 1988 and their views on future development.

Commenting on the changes and developments in U.S.-Soviet relations, our Washington correspondent, Fan Xinglong, says:

[Begin Fan recording] For the more than 40 years since the war, U.S.-Soviet relations were marked by confrontation and cold war. Although there was a relaxation of relations between the two countries at times, the phenomena were ephemeral. Ever since Gorbachev assumed power, changes have gradually taken place in U.S.-Soviet relations. In 1987, the leaders of the two countries met and signed the INF, or Intermediate Nuclear Forces, Treaty. Since then, the two countries' confrontational relations have begun to give way to dialogue. This trend has continued to gain momentum in 1988. In 1988, the two heads of state met on two other occasions, the foreign ministers of the two countries visited each other on many occasions, and military leaders of the two countries also started visiting each other. Both countries have also made headway—and even certain breakthroughs—in settling regional conflicts and issues concerning human rights and bilateral relations.

Since the U.S.-Soviet INF Treaty became effective last June, the two countries have destroyed some of their intermediate nuclear weapons, thus beginning the prelude to nuclear disarmament. In one way or another, both countries have expressed a willingness to cooperate in expediting the settlement of problems in such hot spots as Afghanistan and southern Africa.

The relations between the United States and the Soviet Union began to improve when the world became increasingly multipolarized, and their respective strengths have been relatively weakened. Both countries have their own considerations. As for the United States, it wants to cut its defense expenditures, reduce its enormous deficits, and improve and strengthen its economic power through easing relations with the USSR so that it can gain an advantageous position in the fierce competition with the Soviet Union, Western Europe, and Japan in the future. Specifically because of this need, the upcoming Bush administration is expected to continue the Reagan administration's policy toward the Soviet Union and will seek further improvements in U.S.-Soviet relations. [end recording]

It is true that U.S.-Soviet relations have relaxed noticeably. What used to be sabre-rattling confrontation has now given way to dialogues. Why are there such changes? Zhang Ruonan, this station's correspondent in Moscow, gives this analysis:

[Begin Zhang recording] First, after a prolonged period of military confrontation and an arms race, the economic strength of the two countries has been relatively weakened. Since the mid-1970's, the Soviet economy has been bogged down in a life-or-death struggle against one economic crisis after another. As for the United States, it has been plagued by years of deficits, its debts are astronomical, and its economic status has dropped throughout the world. Such being the case, the two countries cannot help adjusting their policies, switching to [words indistinct] test of strength in the world from military confrontation.

Second, the two countries have come to realize that, since the world today has a huge stockpile of nuclear weapons, nobody can survive a nuclear catastrophe. Thus, in their joint statement issued after their meeting in Moscow, the leaders of the two countries expressed their determination to prevent any war—especially a nuclear war—between the Soviet Union and the United States. As for the United States, the broadening of political dialogue has increasingly become an effective measure for settling issues of common interest and common concern.

Third, the lessons the Soviet Union and the United States have learned from getting involved with regional warfare after the war have prompted them to seek a political settlement of regional conflicts.

The fourth reason, and the most important one, lies in the untiring struggle launched by people of the world for peace and disarmament. [end recording]

What has been the state of East-West relations in 1988? Wang Zuozhou, this station's Paris correspondent, says:

[Begin Wang recording] Positive changes—namely, changes characterized by steering away from confrontation and tension and turning to dialogues and detente—have also appeared in the European arena. In the political area, high-level dialogues between Western Europe on the one hand and the Soviet Union and Eastern Europe on the other have been very active. Top leaders of all major countries in Western Europe and the Soviet Union have exchanged visits. High-level contacts between East and West Europe have also been quite frequent.

Economically, the EEC and CEMA, after more than 30 years of not recognizing and having no contacts with one another, reached an agreement in June 1988 declaring their mutual recognition and the establishment of official contacts. A big stride has also been made in the development of economic relations and trade between Western Europe and the Soviet Union and Eastern Europe. In October alone, the total amount of loans Western Europe declared it would extend to the Soviet Union exceeded \$6 billion.

Third, with regard to European security and disarmament, Western Europe has had fruitful consultations with the Soviet Union and Eastern Europe. It is expected that the European conference on conventional weapons disarmament will begin soon. On 7 December, the Soviet Union unilaterally decided to cut its armed forces by 500,000 men and declared that it will withdraw part of its garrison troops and some conventional weapons from Eastern Europe.

These changes taking place in Europe in 1988 are the outcome of the multipolarization of what used to be bipolarized international political and economic affairs during the 40 years or so after the war. They reflect the needs of development in Eastern and Western Europe. The improvement of U.S.-Soviet relations has removed a major barrier for this positive change. Such being the case, we can expect that Western Europe's relations with the Soviet Union and Eastern Europe will enter into a period of (?good will) in the future. [end recording]

It is pleasing to know that the relaxation and improvement of East-West relations have further warmed up the world's political climate, but the shadows in people's minds have yet to be removed. This is because Europe's basic political pattern has not changed and all the factors affecting the healthy development of relations between Western Europe and the Soviet Union and Eastern Europe have not yet been completely eliminated. Moreover, the relations between the United States and the Soviet Union show that both countries still have sharp contradictions in their respective interests, and both countries will not permit the other side to gain superiority in the military and various other areas and will not willingly concede their own interests. The detente between them will not change their real nature of being each other's rival. The progress in detente and dialogue will not be smooth sailing but will be marked by complexities and difficulties.

Nevertheless, there is still reason for us to be amply confident about the future because the general trend shows that detente will continue for a long time to come.

Dear listeners, when we review the events of 1988, which will soon be over, we cannot help feeling gratified with the relaxation of the international situation. We feel particularly so when we realize that the temperature of some hot spots has started to cool down, one after another. This has increased our hopes and confidence for world peace. Now we would like to introduce to you the views of this station's correspondents in Pakistan, Egypt, Mexico, and the United Nations on the situation of the areas under their coverage. This is the second part of the special feature "Let the Winds of Detente and Dialogue Warm Up the World."

On 14 April a peace treaty on the peaceful settlement of the Afghanistan issue was signed in Geneva after 6 years of indirect negotiations. Dong Zhenbang, our correspondent in Pakistan, maintains that the signing of this treaty is a decisive step toward the final settlement of the Afghanistan issue:

[Begin Dong recording] We should say that the signing of the Geneva agreement is a victory the Afghan people won after many years of armed struggle against foreign aggression, and a victory for the international community in upholding justice.

Nine years ago Soviet Armed Forces drove into the beautiful land of Afghanistan, attempting to subdue the Afghan people by means of force. Now 9 years have gone by. The war has not only caused great suffering to the Afghan people, but also taken a heavy toll from the Soviet Union itself and made it a target of worldwide condemnation. Today all conflicting parties in Afghanistan have decided to end this disaster through political means. The fact that the Soviet Union has started to withdraw its troops from Afghanistan has indeed brought a dawn of peace for the Afghan people, who have suffered immensely.

Of course, the signing of the peace accord and the withdrawal of troops do not mean that there are no longer any obstacles to the settlement of the Afghanistan issue. The Soviet Union has (?violated) the accord as regards its troop withdrawal on several occasions. Moreover, all Afghan factions still differ greatly on the formation of a broadly-based government. However, it is gratifying to note that the Soviet Union and the Afghan resistance forces have now ended their no-contact stalemate and come to the negotiating table, for the sake of Afghanistan's future. This can be considered another step toward the peaceful settlement of the Afghanistan issue. In my view, a new breakthrough in the settlement of the Afghanistan issue can be achieved soon if the conflicting parties in Afghanistan continue to maintain this attitude in their quest for political reconciliation. [end recording]

This year an atmosphere of peace also prevails in the Middle East and the African Continent, where regional conflicts were frequent. According to Fang Zhichong, our correspondent in Egypt, the changes that have taken place in that part of the world have been encouraging:

[Begin Fang recording] For many years people heard of nothing but bloodshed and disasters from the Middle East and the African Continent. This year, however, we have heard one glad tidings after another. [end recording]

The ceasefire between Iran and Iraq on 20 August concluded their bloody war, which had gone on for 8 years.

On 13 December Angola, Cuba, and South Africa signed a protocol of the Brazzaville Accord on the political settlement of the southwest Africa issue. On 22 December the three parties signed another agreement concerning the independence of Namibia, and Angola and Cuba also signed a bilateral agreement on the phased withdrawal of Cuban troops from Angola, bringing hope for ending the 13-year war in Angola and for realizing the independence of Namibia.

On the Palestinian issue, following the declaration of the founding of the State of Palestine, the United States, compelled by the pressure of world public opinion, had its first dialogue with PLO representatives on 26 December. This was a significant step in the quest for peace in the Middle East, which has encountered all kinds of hardship. This year diplomatic ties were restored between Chad and Libya and between Ethiopia and Somalia, which became enemies because of border conflicts, as well as between Algeria and Morocco, which severed their diplomatic relations because of the Western Sahara issue.

In particular, it should be pointed out that the Iran-Iraq ceasefire has far-reaching significance. During those years when the Iran-Iraq war continued to escalate, the Persian Gulf became the hottest spot of all regional conflicts the world over. Now that the war has subsided in this region, this not only guarantees the restoration of peace, stability, and economic development in that part of the world, but also gives impetus to relaxation in the world situation as a whole. Moreover, there are indications that a breakthrough can be achieved in restoring peace in the Middle East, a long, drawn-out, and complex issue. This also shows that the political settlement of regional conflicts has become a trend today. Regardless what the Israeli authorities do to uphold their stubborn stand, they cannot stop the progress of peace in the Middle East.

Of course, the process of reconciliation in any regional conflict cannot possibly be smooth sailing. Setbacks, twists, and turns may occur any time in the process. Zhu Xinhe, our correspondent in Mexico, has the following comment in this connection:

[Begin Zhu recording] In 1987 there were major breakthroughs in the progress of peace in Central America. In that year the presidents of five Central American states signed a peace agreement, bringing hope for the settlement of the 8-year conflict in that part of the world. However, this year, because the conflicting parties failed to reach a compromise on certain key issues, the peace accord has never really been implemented. Later Nicaragua and the United States expelled each other's ambassadors, causing Nicaraguan-U.S. relations, which were already very strained, to continue to deteriorate and casting a dark shadow over peace in Central America. Meanwhile, a meeting of the heads of government of the five Central American countries, which was scheduled to take place last August, has been postponed time and again because of various unexpected changes. The progress of peace in Central America has once again been bogged down in a stalemate. The development of the Central American situation proves that any peace process requires persevering effort from all parties concerned.

The cause of conflicts in Central America was complex one. The achievement of peace there depends not only on aspirations for peace on the part of countries in that part of the world, but also on the U.S. Government's

future Central America policy. The progress towards peace in Central America will undoubtedly continue, but the road ahead is a bumpy one. [end recording]

Commenting on the prospects for the political settlement of regional conflicts throughout the world, Qian Yurun, our correspondent at the United Nations, maintains that, while the progress towards peace will be tortuous and difficult, it will definitely continue to move forward:

[Begin Qian recording] In 1988 the United Nations shouldered the heavy burden of mediating [words indistinct] regional conflicts. This shows, on the one hand, that the countries in those regions trust the United Nations, and, on the other, that the peoples of those countries yearn for (peace and development). History has time and again proven that international disputes cannot possibly be settled by military means and that political settlement is the only correct way. This accords with the will of the people and the general trend of events. As long as conflicting parties take the interests of the people into consideration, trust each other, accommodate each other, and cooperate sincerely, it is possible to settle their disputes peacefully. I believe that during the new year, encouraged by the relaxation in the international situation, new steps can be taken toward settling regional conflicts through political measures. [end recording]

**Reagan, Gorbachev New Year Messages Reported**  
OW01055789 Beijing XINHUA in English  
0142 GMT 1 Jan 89

[Text] Washington, December 31 (XINHUA)—U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev exchanged New Year's messages this afternoon, expressing confidence that the U.S.-Soviet relations will be better in the coming year.

Since late 1985 when Reagan and Gorbachev met for the first time in Geneva, relations between the two countries have improved. 1988 witnessed even greater changes in the superpowers relations.

"Last year was rich in momentous events," Gorbachev said in his message, which was televised first by the Cable News Network.

In the passing year, Reagan and Gorbachev met twice, a practice never seen in the post-war history of U.S.-Soviet relations. The ratification of the U.S.-Soviet agreement on eliminating medium- and shorter-range nuclear missiles was signed and the dismantling of the missiles has proceeded smoothly.

Significant progress was made in the U.S.-Soviet negotiations on a 50 percent reduction of strategic nuclear weapons. Earlier this month, Gorbachev, when addressing the UN General Assembly, announced the Soviet decision on unilateral reduction of 500,000 troops and a

great number of tanks, artillery and aircraft, heralding a cutback in conventional disarmament by the two military blocks—NATO and the Warsaw Pact.

The year is also marked by the Soviet troops withdrawal from Afghanistan and an agreement on the settlement of conflicts in southern Africa. The latest development in the Middle East is also encouraging.

Achievements are seen in bilateral relations and human rights, the other two elements of the four-part agenda concerning the improvement of U.S.-Soviet relations.

"In all of these areas, these improvements represent only the beginning of a long, difficult road to better understanding and cooperation," Reagan told the Soviet people in his message, the last he delivered before he leaves office on January 20.

Citing those improvements, Gorbachev said: "Fears and suspicion are gradually giving way to trust and feelings of mutual liking."

He said that the Soviet Union is in favor of the most wide-ranging ties between the two peoples and "can look ahead with optimism to the future of our relations."

Reagan described the Soviet decision on unilateral troops reduction as "a step in the right direction of correcting the imbalances in the European military situation."

"We are preparing to enter into new negotiations about conventional military forces in Europe," Reagan said.

While praising the achievements in the past year, the two leaders also acknowledged that the two countries still have some differences on arms control, regional conflicts, bilateral relations and human rights, and much remains to be done to ensure a lasting peace in the future.

"Important differences remain between our countries, and will continue for years to come," Reagan said.

"But, I am confident that we have been witness in 1988 to progress that, if we are careful and diligent, can continue next year, and during the years to come," Reagan added.

Gorbachev said that the Soviet Union and the United States have some common problems. But, he said: "I'm convinced that today, on the basis of growing mutual understanding and trust, we can solve them better than we could yesterday."

"If we are capable of a new way of thinking, then instead of merely surviving, we can live in a new way on the basis of equal rights, justice, trust, humanism, and wide-ranging cooperation," he stressed.

Reagan also assured Gorbachev of the U.S. intention of continuing the dynamism of improved U.S.-Soviet relations when the United States is led by his successor George Bush.

The American people have chosen Bush, in part, because he "represents continuity" in the foreign and domestic policies.

"I know that Mr. Bush will continue on the same course, with equal commitment," Reagan noted.

### United States & Canada

**Upcoming Session of U.S. Congress Previewed**  
OW0307082789 Beijing XINHUA in English  
0747 GMT 3 Jan 89

["U.S. Congress To Convene With Great Challenges Ahead (by Huang Yong)"]—XINHUA headline]

[Text] Washington, January 2 (XINHUA)—The Democratic-controlled 101st U.S. Congress will convene tomorrow facing great challenges ahead on how to address federal budget deficit cuts and other contentious domestic and foreign issues.

Despite the overtures from George Bush to work "constructively" with the Congress and the legislators' expressed willingness to cooperate with the Republican president-elect, tough bargaining and sometimes harsh confrontations will be seen in pushing ahead these issues, analysts predict.

But the first session of the two-year Congress will feature informal greetings, handshaking and the swearing-in of all 435 members of the House and the one-third of the Senate who were elected or re-elected on November 8.

The congressmen will also attend a ceremony on Wednesday [4 January] at which electoral college votes are counted and Bush is formally declared president-elect of the United States. The congressmen will then take a break until after the presidential inauguration on January 20.

Two immediate concerns awaiting the Congress are the 50-percent wage increase for senior federal workers (that means a 45,500 dollar increase for each congressman) in exchange for an end to seeking honoraria, and the closing of 145 military bases nationwide which will affect the home states of many congressmen.

But major attention will be given to the budget deficit which under the Gramm-Rudman-Hollings balanced-budget law should be confined to 100 billion in fiscal 1990. This requires 30 to 40 billion dollars in reductions from the current government spending programs.

To reduce the budget deficit, Bush proposed a "flexible freeze" in which overall federal spending would increase no faster than inflation and some spending programs would be cut while others are increased.

Bush firmly opposed some congressmen's calls for increased taxes to bring down the deficit, arguing instead that the red ink will shrink when the economy outgrows the budget increase.

Since Bush has practically ruled out cuts in social security and defense spending, Democratic congressional leaders believe that there will be little room left for spending cuts and tax increases.

Many lawmakers, Democratic and Republican alike, suspect that Bush, like outgoing President Reagan, may find a way to increase taxes without appearing to do so.

House Minority Leader Robert H. Michel noted that the president-elect will have to accept a tax increase in order to get spending reductions as part of an overall deficit-reduction package. "I suspect down the road a piece that (a tax increase) may be part of the answer," he said.

Also high on the agenda are the rescue of bankrupt savings and loans institutions which finance housing in the United States, and repairs to the ailing nuclear weapons plants. The estimated costs of 200 billion dollars for those efforts will further complicate the Congress's dealing with federal deficit, experts believe.

The Congress may welcome proposals from Bush to improve education, child-care and health care for the poor, but in these areas, clashes will also probably erupt since Bush favors tax break incentives and Democrats prefer direct federal funding.

Bush is also expected to propose a new ethics bill to replace the one passed at the end of the last session of Congress, but was vetoed by the Reagan administration which complained it would keep talent away from the government.

Among other domestic issues likely to be under discussion are banking reform and problems with leveraged buyouts. The control of air pollution and acid rain will again be an issue after failing to win an endorsement in the last Congress because of geographical conflicts rather than any clear-cut partisan differences.

The foreign issues are expected to draw more bipartisan support than domestic problems, but bitter quarrelling will appear when it comes to such issues as aid to the Contras, an issue on which the Reagan administration met severe setbacks.

**'Roundup' Views Bush Choices for Administration**

OW0101081289 Beijing XINHUA in English  
0229 GMT 1 Jan 89

[~Roundup: Bush's Guys Mostly 'Pragmatic,' U.S. Press Says (By Huang Yong)—XINHUA headline]

[Text] Washington, December 31 (XINHUA)—The people tapped for the Bush administration are mostly "pragmatic" and "Washington insiders" as compared with those in the Reagan administration, the U.S. press said.

"As the President (Reagan) leaves office lambasting the 'Washington colony,' the president-elect is sending signals that suggest he will be more accommodating," THE CHRISTIAN SCIENCE MONITOR [CSM] said Thursday [29 December].

"As the next cabinet takes shape and the real George Bush stands up, the analysts are suggesting that he falls somewhere between Reagan and Rockefeller, more in line with the mainstream Republicanism practiced by former Presidents Nixon and Ford," the ASSOCIATED PRESS commented earlier this month.

President-elect George Bush has almost completed the selection of cabinet secretaries and top-ranking officials for the White House since being elected November 8. The only cabinet and cabinet-level posts unfilled are energy secretary and drug czar which Bush is likely to announce early next week.

The press pointed out that key positions in the Bush administration have been occupied by the so-called "pragmatists" or "pragmatic conservatives" instead of conservative "ideologues" filling the Reagan administration.

Commenting on the economic unit of the Bush administration, the AP said that "none of its members is a rigid adherent of one economic theory or another."

"I think he (Bush) got rid of all the supply-siders," the agency quoted a private economist, Michael Evans as saying.

On the diplomatic and national security side, Secretary of State-designate James Baker III and National Security Adviser-designate Brent Scowcroft are also regarded as "programmatic problem-solvers."

Defense Secretary-designate John Tower had a reputation for supporting the massive military buildup in the early 80s. But the U.S. Press doubted he is as a hardliner as former Pentagon chief Caspar Weinberger.

White House Chief of Staff-designate John Sununu, though regarded as the most conservative among senior Bush aides, is nevertheless no ideologue, the NEWSWEEK said. "He believes, as moderates do, that government should do more with less, not less with less."

The U.S. press also noted that although there are a few conservative hardliners such as Jack Kemp, in the lower rank of the Bush administration, they will either play a second fiddle in policymaking or hold a less conservative view to the jobs they are to occupy.

The U.S. press also pointed out that Bush has filled most of posts with "Washington insiders," people who worked either in the previous administrations or in Congress, although Bush promised to bring new faces to his administration after his election.

"A Washington insider virtually his whole life, Bush clearly has thought about cabinet government and how it should function," CSM said.

"No administration in recent memory has had so many retreads as the one now shaping up," the AP observed, quoting a political expert as saying that "George Bush is an old Washington hand and these are the people he feels comfortable with."

With these appointments, "there will be continuity and less time wasted getting acquainted with the issues and processes of government," CSM said.

Besides the experience in Washington, most of Bush's appointees so far are also his old friends or campaign aides and like Bush, many of them graduated from Ivy League schools and came from the upper-class families, the U.S. press noted.

Choices of the Bush administration has won applause from two prestigious newspapers in the eastern part of the U.S. THE WASHINGTON POST said in a December 7 editorial that "we feel free to say that the contours of the Bush government have already become pretty clear and that the design looks good."

"If his choices are marked by one common characteristic it is that they are professionally qualified for the jobs Mr. Bush selected them for."

THE NEW YORK TIMES said "Mr Bush is proceeding sensibly, with an eye to bridging the division of political power between the White House and Congress that was reaffirmed by the November election."

**Institute Director on Sino-American Relations**

OW0201013589 Beijing in Mandarin to Taiwan  
0400 GMT 27 Dec 88

[Text] Listeners and friends: The 1989 New Year's Day marks the 10th anniversary of the establishment of Sino-American relations. During an interview with the station reporter at yearend, the director of the Chinese Academy of Social Sciences' Institute of American Studies, Madame (Su Zhongyun), replied to several questions on Sino-American relations.

When the reporter asked her to comment on the present state of Sino-American relations, she said: I consider the development of Sino-American relations during the past 10 years to be quite rapid. At present, relations between the two countries have reached a fairly mature and stable stage.

When discussion shifted to the influence of China's present policy of reform and opening up to the outside world on Sino-American relations, Madame (Su) replied: China's policy of reform and opening up to the outside world has much to do with opening up to the United States. The consequence of this policy has a great influence on China in terms of economics, culture and thinking. In relation to its policy, interests and traditional thought, the United States, of course is very glad to see the continuation of China's policy of reform and opening up to the outside world.

When the reporter asked if there is any negative factor that needs to be overcome, Madame (Su) said: Up till now, I think Sino-American relations have mainly been positive. But there are still some hidden troubles and worries. One of these is the well known Taiwan issue. On the issue of peaceful reunification of China, the United States only stresses peace. Its attitude on reunification has been quite ambiguous. Although the United States' official position objects to the creation of two Chinas, its attitude on specific issues has often been unfathomable. For example, the Kuomintang authority in Taiwan at present is pursuing a policy of returning to the international community. Under what name it intends to achieve this will pose a serious problem. The United States will either have to stick firmly to a one-China stance or adopt an ambiguous attitude by putting up with the appearance of one China and one Taiwan. Thus this issue depends on the American attitude. Another issue is that a very wide gap in ideology exists between China and the United States. Ideology is a fairly important element in American foreign policy. At times, this can become a deciding factor. This is particularly so in the American Congress where some people, because of ideological leanings, have been able to influence American foreign policy. Therefore, troubles will continue to crop up on this issue.

When the reporter asked Madame (Su) to speak on the prospects of Sino-American relations, she said: Sino-American relations will continue to make steady development in a positive direction, but maybe not as fast as before. Judging from the existing foundation and events of the past 10 years, I believe the two countries will continue to cherish the relations they have built up, and mutual understanding between peoples of the two countries will improve further. Therefore, the situation as a whole is an optimistic one.

**U.S. Group To Discuss Progress of Chinese Science**  
*OW0101235889 Beijing XINHUA in English*  
1841 GMT 1 Jan 89

["China's Progress in Science and Technology To Be Discussed at 1989 AAAS Annual Meeting (by Qian Wenrong)"]—XINHUA headline]

[Text] New York, January 1 (XINHUA)—The forthcoming annual meeting of the American Association for the Advancement of Science (AAAS) will discuss, among other topics, the big progress in science and technology in China in recent years which has drawn great interest and attention of American scientists, according to sources from the organization.

The 155th AAAS annual meeting, to be held from January 14 to 19 at the Hilton Hotel in San Francisco, will discuss the current research and progress in China in superconductivity, biotechnology, archaeology, number theory and other fields under the subject of "Science and Technology in China."

This will be the first time that China's achievements in science and technology will be discussed specifically at an annual meeting of the AAAS, one of the most popular and influential scientific organizations in the United States. The AAAS, formed in 1848, currently has more than 132,000 individual members and nearly 300 affiliated scientific and engineering societies and academies of science.

In the six-day meeting some 200 symposia and technical sessions will be held along with plenary lectures and seminars. The meeting program includes physical sciences, life sciences, social and behavioral sciences, science and technology education, and science and technology policy.

The meeting will discuss some very important questions such as:

—Are the days of U.S. technological superiority gone for good?

—How are new developments in the Soviet Union affecting the chances for arms control?

—Was the drought of 1988 a precursor of future weather patterns?

—How best can new AIDS drugs be tested?

—Are global genetic resources at risk?

Donald Kennedy, president of Stanford University, will deliver a keynote address under the title of "Science and the American Future" at the opening session of the meeting on January 14.

A science books exhibition and a science film festival also will be held as a part of the meeting program. About 50 new and best short science films will be shown from January 15 through January 18.

As in the past, the meeting will be accessible to disabled people. Among the services will be a resource center for disabled attendees, transportation for those in wheelchairs, interpreters for the hearing impaired, and audio-taped highlights of the meeting program for persons with visual impairments.

### Soviet Union

**Sino-Soviet Contacts in 1988 Reviewed**  
*OW0201234489 Beijing in Russian to the USSR*  
1900 GMT 1 Dec 88

[From the "Pages of Friendship" program]

[Excerpts] The most important event in Sino-Soviet relations in 1988 was PRC Foreign Minister Qian Qichen's visit to the Soviet Union.

During the visit he was received by Soviet leader Mikhail Gorbachev. Three rounds of talks on a wide variety of questions, in particular the Cambodian question and questions pertaining to the normalization of Sino-Soviet relations, were held between the foreign ministers of the two countries. This visit gave rise to the process of normalization in Sino-Soviet relations, a deepening of mutual understanding in political normalization of the Cambodian question, as well as providing an opportunity for holding a summit meeting in the first half of this year. This is consistent with the fundamental interests of the people of both countries, and facilitates peace and development the world over. [passage omitted]

Trade between China and the Soviet Union in 1988 resulted in new successes. The volume of trade between the two countries from 1981 to 1988 amounted to 22 billion Swiss francs, that is doubled in comparison to the 1970s. In addition to government trade, border trade is also growing rapidly. [passage omitted]

The third meeting of the Sino-Soviet Commission on Economic, Trade, and Scientific and Technical Cooperation was held in Beijing in 1988. During these talks, agreements on establishing and developing economic and trade contacts were signed between autonomous regions and cities and the Soviet republics, and between corresponding departments, associations, companies and enterprises of both countries. Agreement was also reached on the establishment of joint enterprises and the principles of their activities. This facilitated the development of economic and trade relations between the two countries.

First steps in cooperation between corresponding ministries and departments of both countries have been taken. These include talks on cooperation in fishing and development of fisheries between the PRC Ministry of Agriculture and the USSR Ministry of the Fish Industry; cooperation in technical reconstruction of several plants; and talks on forming joint and mixed enterprises. [Passage on increased cultural ties omitted]

**USSR Foreign Ministry Lists 1988 Top Events**  
*OW0301014189 Beijing XINHUA Domestic Service*  
in Chinese 1409 GMT 29 Dec 88

["Local Broadcast News Service"]

[Text] Moscow, 28 Dec (XINHUA)—Soviet Foreign Ministry spokesman Gerasimov described Soviet leader Gorbachev's speech at the UN General Assembly, continued dialogue between the Soviet Union and the United States, the Chinese foreign minister's visit to the Soviet Union, and the Soviet foreign minister's visit to Japan as the major events in Soviet diplomacy this year.

At a press briefing today, he said Qian Qichen's visit to Moscow "signifies a breakthrough in Soviet-Chinese relations."

**Soviet Commentator Notes Importance of Ties**  
*OW3112165888 Beijing XINHUA in English*  
1441 GMT 31 Dec 88

[Text] Moscow, December 31 (XINHUA)—Well-known Soviet commentator Aleksandr Bovin said that the mistake the Soviet Union committed in the Afghan issue should be made public as "painful truth is better than inspiring heat."

In an article published today in the newspaper "KOM-SOMOLSKAYA PRAVDA," Bovin said the Soviet Union at last recognized that the people of each country should determine their own destiny without foreign interference, adding that the attempt to change the situation in other countries is extremely mistaken. He listed as three matters of weight for 1989 a Sino-Soviet summit, the completion of the Soviet troop withdrawal from Afghanistan and negotiations between the Warsaw Pact and NATO on conventional forces reduction.

He said that in order of importance and urgency of the Soviet foreign policies, priority should be given to China rather than the United States.

Bovin pointed out that both the Soviet Union and China have no desire to restore alliance relations and to impose pressure on the United States, Japan and any other third country by improving their relations.

He maintained that European conventional disarmament is more important than a 50 percent cut by the two superpowers in strategic weapons, as negotiations in this respect are now under way and results will come out

either next year or the year after the next. However, he added, the conventional armament is more dangerous to spark a new round of arms race.

**Scientists Named Academicians by Soviet Academy**  
*HK3112052388 Beijing XINHUA Hong Kong Service*  
*in Chinese 0441 GMT 28 Dec 88*

["President of Chinese Academy of Science Zhou Guangzhou and Honorary President of Academy of Geological Science of China Huang Jiqing Conferred Titles of Academician by Soviet Academy of Sciences"—XINHUA headline]

[Text] Moscow, 27 Dec (XINHUA)—Today, the USSR Academy of Sciences conferred the title of Academician on Zhou Guangzhou, president of the Chinese Academy of Sciences, and Huang Jiqing, honorary president of the Chinese Academy of Geology.

According to a TASS report, the USSR Academy of Sciences this time conferred the title of Academician on 44 famous scientists from 14 countries. The laureates were elected by the plenary session of the USSR Academy of Sciences on 27 December. So far, the USSR Academy of Sciences has conferred the Academician title on 137 foreign scientists.

### Northeast Asia

**DPRK's Kim Il-song Proposes Political Talks**  
*OW0101125389 Beijing XINHUA in English*  
*0919 GMT 1 Jan 89*

[Text] Pyongyang, January 1 (XINHUA)—Kim Il-song, president of the Democratic People's Republic of Korea (DPRK), proposed a top-level political consultative conference with South Korean leaders in the near future to discuss the reunification plan.

The proposal was made by Kim in his new year address, which was broadcasted alive by Pyongyang Central Television Station today.

Kim said he would invite the presidents of the four major South Korean parties as well as religious leaders to Pyongyang for the conference.

Those invited include No Tae-u, South Korean president and Kim Tae-chung, Kim Yong-sam and Kim Yong-pil, presidents of the Peace Democracy Party, the Reunification Democratic Party and the New Democratic Republican Party.

They also include Cardinal Stephen Sonhwan, the famous clergyman Mun Ik-hwan and the famous dissident Park Ki-hwan.

In his address Kim Il-song demanded South Korea to cancel its joint military maneuvers with the United States, normally scheduled for February and April every year, to create an atmosphere for a North-South dialogue.

**DPRK Ministry Seeks Korean Conflict Solution**  
*OW3112002688 Beijing XINHUA in English*  
*1528 GMT 30 Dec 88*

[Text] Pyongyang, December 30 (XINHUA)—The Ministry of Foreign Trade of the Democratic People's Republic of Korea (DPRK) called today for a solution to the political and military differences on the Korean peninsula as early as possible to facilitate cooperation and exchanges.

The ministry said that the DPRK hopes for economic cooperation with the South.

However, the ministry said that economic, cultural and social cooperation is impossible unless the peninsula's political and military problems are solved.

The ministry's statement said top-level political and military talks between the two sides is necessary to pave the way for cooperation and exchanges.

The DPRK is pledged to make sincere efforts for an early solution to those problems, the Ministry said.

**S. Korea Accepts North's Joint Sports Team Bid**  
*OW3012143388 Beijing XINHUA in English*  
*0824 GMT 30 Dec 88*

[Text] Beijing, December 30 (XINHUA)—South Korea accepted today a proposal of the Democratic People's Republic of Korea (DPRK) for talks on sending a single Korean team to the 1990 Asian Games in Beijing.

According to reports from Seoul, South Korean National Olympic Committee President, Kim Chong-ha, has sent a letter today to his DPRK counterpart, Kim Yu-sun, suggesting that delegations of five members each from both sides meet at the truce village of Panmunjom on March 9 of next year for the talks.

The letter was in response to a DPRK proposal on December 21 that sports officials of the two sides meet next February at Panmunjom to discuss the formation of a joint Korean sports team to help ease tensions on the divided Korean peninsula.

Welcoming the DPRK proposal in his letter, Kim Chong-ha hoped that the two sides could find ways to dispatch joint teams in other international sports events in the future.

**'Yearender' Views Progress on Korean Peninsula**  
*HK3112004588 Beijing RENMIN RIBAO in Chinese*  
26 Dec 88 P 7

["Yearender" by RENMIN RIBAO reporter Xu Baokang (1776 1405 1660): "The Wind of Detente Blows to the Korean Peninsula"]

[Text] The wind of rapprochement rose in the Korean peninsula in 1988, and the North-South dialogue, which has been suspended for more than 2 years, takes on a new look.

In the beginning of this year, in his New Year message, Kim Il-song once again appealed for national rapprochement, and suggested that a North-South joint conference be called so as to promote relaxation on the peninsula and achieve the peaceful unification of the motherland. The recent unprecedented surge whipped up by students in the North and South who called for "dialogue and reunification" swept across the peninsula. The call was welcomed by people of all walks of life in the North and South, and has created a favorable condition for resuming the dialogue. The Supreme People's Assembly of the DPRK lost no time in sending a letter to the National Assembly of the Republic of Korea, suggesting a North-South joint conference be held. Four political parties, either in or out of government, in South Korea responded favorably to the appeal. At present, representatives from both assemblies have arrived, after six meetings, at agreement on the form of the joint conference of both assemblies. What merits special attention is that representatives from the North and South spoke at the 43d UN General Assembly for the first time on the topic of "promoting peace, rapprochement, and dialogue." Later the North put forward a "package peace program," in an effort to ease tension across the peninsula and eliminate military and political confrontation. The peace initiative, which is widely supported by the whole people of Korea and the international community, once again shows the sincere wish of the North to achieve peace and improve the relations between the two parts. Observers here believe, with the easing of tension on the peninsula, it is not accidental if the two parts succeed in opening a dialogue for the third time.

First, the United States, the Soviet Union, and other countries take a positive attitude toward the efforts of the two parts of Korea to start dialogue and ease tension, following the relaxation of tension between the two superpowers. The United States considers the resumption of dialogue between the two parts of Korea a "very positive step," and announced the measures to improve the relations between the United States and the DPRK. The Soviet Union is also looking forward to the relaxation of tension on the peninsula and "removal of military and political confrontation."

Undoubtedly, the general relaxation throughout the world is making positive contributions to the relaxation on the peninsula and resumption of negotiation.

Second, after confrontation for a long time, the northern and southern parts of Korea have pondered over its consequences, and the idea that "dialogue is better than confrontation" gradually takes root. President Kim Il-song has reiterated on many occasions the principle of mutual coexistence, that is, "neither party is to annex and overpower the other." The DPRK Government Korea has taken the initiative in demobilizing 150 thousand soldiers and turning them to peaceful construction, while proposing a large-scale disarmament. No Tae-u's administration, for its part, under the powerful pressure of people in the South who demand "democracy and unification," has not only advanced a "6-item declaration" on the unification of Korea, but also agreed "not to attack each other and resort to force." He even openly expressed a wish to hold a North-South summit. In the past 2 years, the misunderstanding and distrust of each other grew due to suspension of dialogue. Therefore, to resume dialogue as soon as possible, and maintain peace and stability on the Korean peninsula conforms not only to the common wishes of the Korean people, but also to the world trend of proceeding from confrontation to dialogue.

There is no denying that quite a number of difficulties are to be overcome before the Korea problem is really settled, because there is a historical reason for the problem, and the two parts remain split over the position and measures to improve the situation on the peninsula and realize a peaceful unification.

At present, relaxation has constituted the mainstream in the world. This will provide unprecedented favorable conditions for the efforts to improve the situation on the peninsula. It is hoped that both parties will seize the opportunity and make a bigger stride forward on the road of achieving a peaceful solution to the Korea problem through full dialogue and consultation.

**New Year Greetings Exchanged With Japan**  
*OW0101083089 Beijing XINHUA in English*  
0155 GMT 1 Jan 89

[Text] Beijing, January 1 (XINHUA)—Both Chinese and Japanese representatives of the 21st Century Committee for China-Japan Friendship exchanged messages of New Year greetings as the new year ushers in.

The message from the Chinese side said that in the year 1988, which represented the 10th anniversary of the China-Japan Peace and Friendship Treaty, new progress was made in the relations between the two countries under the guidance of the treaty and the Sino-Japanese joint statement.

The bilateral relations are entering into a new period for exploring friendly cooperation, the message said.

It noted that in the new year, the Chinese side will continue to cooperate with the Japanese representatives of the 21st Century Committee for China-Japan Friendship in making new efforts to promote a healthy growth of bilateral ties and to deepen the bilateral cooperation in the fields of economic relations, trade and technology.

The Japanese side said in the message that five years have passed since the committee started to work and this year will enter into a new period in bilateral relations, wishing that China should gain new achievements for domestic and foreign policies and the Japan-China friendly relations and cooperation be further expanded.

### **Southeast Asia & Pacific**

#### **Vietnam Border Raids, Chinese Reaction Reported** *HK0201082289 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1012 GMT 31 Dec 88*

["Armed Vietnamese Personnel Continually Carry Out Provocations Along China's Border in Guangxi"—ZHONGGUO TONGXUN SHE headline]

[Text] Nanning, 31 Dec (ZHONGGUO TONGXUN SHE)—Since late November, armed Vietnamese personnel have continually invaded China's border areas in Guangxi to loot and raid Chinese villages, seriously threatening the normal production, life, and security of the Chinese residents in the border areas.

According to incomplete statistics, in the past month there were 11 cases in which armed Vietnamese personnel carried out reconnaissance, harassment, and looting activities in the border areas of Ningming, Longzhou, Pingxiang, Fangcheng, and Jingxi of Guangxi. In these cases, two Chinese civilians were killed and two were wounded. The Chinese residents in these border areas were robbed of a number of bicycles and radio-recorders, some clothes, and other personal property.

In order to safeguard the tranquility of the border areas, the Chinese frontier guards and militiamen dealt blows at the invading enemy eight times, killing 11 enemy soldiers and injuring 5. They also seized 14 weapons, including machine guns, pistols, and grenades, and a quantity of ammunition from the enemy.

#### **Khieu Samphan Urges Support for Peace Plan** *OW0101131089 Beijing XINHUA in English 1208 GMT 1 Jan 89*

[Text] Beijing, January 1 (XINHUA)—Vice President of Democratic Kampuchea Khieu Samphan today called on Kampuchean people and the resistance forces to support the five-point peace plan proposed by Prince Norodom Sihanouk on November 7, 1988.

Radio of Democratic Kampuchea quoted Khieu Samphan's new year address as saying Vietnam has refused many suggestions on a political solution to the Kampuchean problem in the past ten years and it is now undermining the implementation of the plan.

The plan includes an unconditional phrased withdrawal of all Vietnamese troops, a U.N.-monitored general election after simultaneously dismantling the Phnom Penh regime and Democratic Kampuchea and forming of a preliminary government and a national army made of the four equal parties.

In order to carry out the plan, the tripartite coalition government endorsed a resolution during a cabinet session on December 23 last year.

The resolution stipulates that Democratic Kampuchea would regard the plan as the national political program in its work to strengthen national reconciliation and unity under the leadership of Prince Norodom Sihanouk.

Khieu Samphan also called on the overseas Kampuchians to support the peace plan and refrain from doing anything harmful to it.

Khieu Samphan said Vietnam's so-called partial pullout with no international monitoring is in fact a new military rotation, replacing the wounded with new forces. At the same time, he added, the Vietnamese authorities are integrating their occupation troops with the Heng Samrin forces and sending more immigrants to Kampuchea. All this is aimed at controlling the Phnom Penh regime and occupying Kampuchea forever, Khieu Samphan declared.

#### **Construction Minister Continues Malaysian Visit** *OW3012200688 Beijing XINHUA in English 1655 GMT 30 Dec 88*

[Text] Hong Kong, December 30 (XINHUA)—China welcomes foreign participation in the construction industry, Chinese Minister for Urban and Rural Construction and Environmental Protection Lin Hanxiong said in Kuala Lumpur today, according to reports by Malaysian BERNAMA [Pertubuhan Berita Nasional Malaysia] News Agency.

The Chinese minister said this at a reception jointly organized by the Malaysian Housing Developers Association (HDA) and Master Builders Association Malaysia (MBAM).

Lin and six other members of his team arrived in Kuala Lumpur on December 28 for a week-long visit to observe the development of housing and construction sectors in Malaysia.

Lin was earlier briefed on the role of private sectors in the housing industry by HDA President M.K. Sen.

Sen said the private sector is expected to construct 552,000 of the total 701,000 units targeted by the government under the fifth Malaysia plan (1986-1990).

Officials of both associations later held dialogue sessions with members of Lin's team.

The Chinese minister was also briefed today on the progress and development of Kuala Lumpur City Hall's (KLCH) housing projects.

After visiting a condominium project in Kuala Lumpur today, Lin Hanxiong proposed more exchanges of visits between Chinese and Malaysian building contractors.

"This would enable them to learn from each others' experiences and to play their roles more effectively," he said.

### Near East & South Asia

#### Fourth South Asian Cooperation Summit Ends

##### 'Roundup' on Summit

HK3112064788 Beijing RENMIN RIBAO in Chinese  
28 Dec 88 p 6

["Roundup" by RENMIN RIBAO reporter Ren Yujun (0117 3022 7486): "Prospects of Summit Meeting of South Asian Countries"]

[Text] Since 1985, the seven South Asian countries have held a summit meeting every year, and this year's summit will be held from 29 to 31 December in the Pakistan capital of Islamabad.

The past year was an eventful year for the South Asian countries, where natural disasters and various accidents occurred one after another. Bangladesh, India, and Pakistan were afflicted by serious floods that were rarely seen in the past decades, and the floods caused heavy losses to the people's lives and property in these countries. Strong earthquakes and landslides occurred in Nepal. Racial conflicts in India and Sri Lanka became more intense and bloody. In Pakistan, there was an arsenal explosion, a crash of the president's plane, and bloody looting by armed bandits in Karachi and Hyderabad. In Maldives, there was an abortive military coup. Under such a difficult condition, the South Asian Association for Regional Cooperation [SAARC], which has been founded for merely 3 years, continued to play a positive role in promoting cooperation and exchanges between the South Asian countries and achieved gratifying results. The agreement on establishing a South Asian food grain reserve, which was signed during last year's summit meeting, has been put into practice this year. The flood-afflicted Bangladesh people have received 200,000 tons of relief grain from this reserve program. Since its founding, the association has achieved certain results in its 11 cooperation plans in the fields of agriculture, science and technology, irrigation works,

cultural and educational undertakings, public health, and tourism. In the past year, the association held a number of symposiums and forums on the issues concerning the role of women, employment, aids for the handicapped, and this played a positive role in promoting the development of public welfare undertakings in various member countries. The seven countries have also begun to take cooperative measures for dealing with terrorism and fighting drug trafficking. Observers here pointed out that although the role of the SAARC still does not compare with the role of the ASEAN and the Gulf Cooperation Council, the appearance of such a regional cooperation organization among the South Asian countries that are full of mutual mistrust and contradictions indicated a gratifying step, and is completely in conformity with the current trend in the world. So long as the member countries observe the association's charter, the prospects of South Asian cooperation will be broad and bright.

In the past few days, all member countries, especially the host country Pakistan, have done a great deal of preliminary work for the coming summit meeting, and the meeting agenda has been worked out. In Pakistan, a new government was formed through the recent general election, with Benazir Bhutto as prime minister. She will attend and chair the coming summit meeting. Newly elected president Premadasa of Sri Lanka will lead his delegation to attend the meeting. At last year's meeting, the Kabul regime requested the association to admit it into this organization, but the seven countries unanimously held that they would not consider this application before the Soviet Union withdraws all its troops from Afghanistan.

The most noticeable event during the coming summit will be the first meeting between Indian Prime Minister Rajiv Gandhi and Pakistan's new Prime Minister Benazir Bhutto. They share many common points: They are both of a new generation of leaders of the two largest countries in South Asia; their parents were also prime ministers who died during their tenures of office; they both received good education and have more liberal ideas. When Benazir Bhutto won the office of prime minister, Rajiv Gandhi sent her a warm congratulatory telegram, which listed their common points and expressed his hope that Indian-Pakistan relations will be improved through the efforts of the new generation of leaders as they are. As Rajiv Gandhi attends the meeting in Islamabad, this will be the visit by an Indian prime minister to Pakistan in the past 28 years.

After Benazir Bhutto was sworn into office, she also expressed her hope to meet with Rajiv Gandhi and sent a letter to him, inviting him to stay for a longer time in Pakistan after the summit meeting so that they can hold talks on their bilateral relations, because the seven-nation summit's agenda does not include any bilateral issue. Rajiv Gandhi accepted this invitation.

People hope that the South Asian summit meeting will be successful, and will create more favorable conditions for peace, unity, and prosperity in this region.

**Bhutto Addresses Summit**

OW3012120788 Beijing XINHUA in English  
1603 GMT 29 Dec 88

[Text] Islamabad, December 29 (XINHUA)—The Pakistan prime minister today urged all the SAARC member states to take stock of the new regional and international situation and adjust their policies to the new realities to work for peace and prosperity in the region freed of the danger of war.

Benazir Bhutto made the remarks here this evening when inaugurating the fourth SAARC summit.

Formed in 1985, the SAARC (the South Asian Association for Regional Cooperation), groups Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.

She said, "The year that is about to close has been one of the most hopeful for peace in the world. Many difficult and intractable regional conflicts have moved closer to solution."

She said, "In our region, the signing of the Geneva accords on Afghanistan marked an important step towards the restoration of peace in that long-ravaged land." "The end of the war will also open up new possibilities for cooperation and strengthen peace in the region as a whole," she added.

"At the same time we see China and the Soviet Union moving towards a rapprochement and this is a development of special significance for our region," she noted.

She also listed other signs of movements towards the peaceful resolution of long-standing conflicts in other regions of the world.

"We welcome these developments which are bound to have an important and salutary impact also on the South Asian region," she said.

She urged all the SAARC member states to make greater efforts and more concrete actions for the regional cooperation and adopt "SAARC-2000" program to meet the basic needs of all the peoples in the region.

"Unresolved disputes, mutual suspicions and rivalries have divided our countries in the past and keep them from coming together whole-heartedly in joint endeavors for the good of all our peoples. Some of us are spending too great a proportion of our national resources on defense, maintaining large military forces that face each other," she emphasized. "The truth is that our people face the same common problems—poverty, disease, slums and ignorance—and it is to the vanquishing of these enemies that we should direct all our efforts," she added.

**Gandhi Addresses Summit**

OW3012142288 Beijing XINHUA in English  
1831 GMT 29 Dec 88

[Text] Islamabad, December 29 (XINHUA)—Indian Prime Minister Rajiv Gandhi today urged member countries of the South Asian Association for Regional Cooperation (SAARC) to further strengthen their cooperation in different fields.

Rajiv Gandhi made the call while addressing the opening session of the fourth SAARC summit here tonight.

The SAARC, which was formed in Dhaka in 1985, groups Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.

Gandhi said that the South Asian cooperation has to be made a living and throbbing reality for the hundreds of millions of people in the region.

He said that the SAARC member countries need to strengthen linkages between themselves to give them strength, individually and as a region.

This, he noted, calls for increased economic exchanges within the South Asian region, covering the gamut of economic activities from agriculture to industry, infrastructure, technology and human resources development.

Economic cooperation must lie at the heart of regional cooperation, he added.

Rajiv Gandhi said that "in each of our countries, our highest priority is the war on poverty. For South Asian regional cooperation to be meaningful to our people, it must be associated as closely as possible with development at the grassroots."

Gandhi said that a South Asia turned inwards upon itself, pre-occupied with petty quarrels, is not a South Asia which can fulfill its pledges to its peoples nor a South Asia which can make the contribution which it must to the emerging world order.

He noted that the changes taking place in the world are opening unprecedented opportunities. They are also posing unprecedented challenges, he said adding that "it is a duty we owe to our peoples, severally as sovereign independent nations, and jointly as the most populous regional group in the world, to consolidate cooperation in South Asia."

Turning to the latest developments in Pakistan, Gandhi said that democratic elections in the country have led to the installation of a new government under Prime Minister Benazir Bhutto's leadership, giving rise to hope everywhere in the subcontinent of a new dawn of friendship and cooperation.

Referring to his recent visit to China, the Indian prime minister said that "I have just visited China to launch a new beginning in India-China relations, marking a turning point in our bilateral relationship and reviving cooperation between us in working towards a new world order based on the five principles of peaceful coexistence."

#### **Summit Ends, Declaration Issued**

OW0101010489 Beijing XINHUA in English  
0909 GMT 31 Dec 88

[Text] Islamabad, December 31 (XINHUA)—The fourth summit of the South Asian Association for Regional Cooperation (SAARC) concluded here today with a common voice to promote closer cooperation among the seven countries so as to push the SAARC forward.

The SAARC, which was formed at its first summit in Dhaka in 1985, consists of Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.

The three-day summit meeting was attended by President Hussain Muhammad Ershad of Bangladesh, King J. S. Wangchuck of Bhutan, Prime Minister Rajiv Gandhi of India, President Maumoon Abdul Gayoom of the Maldives, King Birendra of Nepal, Prime Minister Benazir Bhutto of Pakistan and President J. R. Jayewardene of Sri Lanka.

During the summit, the heads of state and government extensively discussed ways and means to enlarge cooperation in different fields among the SAARC member countries for the welfare of the peoples in the region.

In the Islamabad Declaration issued at the end of the summit here today, the SAARC leaders reiterated their commitment to the SAARC charter and renewed their determination to cooperate in promoting the welfare of the peoples of South Asia and in improving their quality of life by eradicating poverty, hunger, disease, illiteracy, unemployment and environmental degradation.

They expressed satisfaction at the progress so far made in the implementation of the SAARC integrated program of action.

The South Asian region, with a total area of over four million square kilometers and one billion people or one-fifth of the population of the world, only shares about two percent of the world's gross national product.

The SAARC member countries have been conducting cooperation in 11 different fields including meteorology, rural development, women in development, suppression of drug trafficking and abuse, science and technology, sports, arts and culture, postal services, agriculture and forestry, health and population activities, telecommunications, as well as transport.

According to the joint press release issued today, the SAARC leaders have decided to launch SAARC chairs, fellowships and scholarships schemes and the youth volunteers program, and "SAARC 2000—A Basic Needs Perspective" which calls for a perspective regional plan with specific targets to be met by the end of the century in areas of core interest such as food, clothing, shelter, education, primary health care, population planning and environment protection.

They also decided to declare 1990 as the "SAARC Year of the Girl Child" and directed that specific programs and activities be undertaken to increase public awareness of the problems of the girl child.

The seven heads of state and government have agreed that any country in the region subscribing to the objectives and principles of the charter may be admitted as a member of the association by a unanimous decision of the SAARC leaders.

During the summit, bilateral meetings among the SAARC leaders have promoted mutual understanding and reduced misgivings, which are beneficial to the maintenance of the peace and stability in the South Asian region and in Asia as a whole.

Talks were held between Pakistan Prime Minister Benazir Bhutto and her Indian counterpart Rajiv Gandhi, which are a focus of attention here. The two countries are expected to sign the agreements of nonattack on each other's nuclear installations, the removal of the current system of double taxation between the two countries and the promotion of cultural exchanges at the end of the third round of talks between their leaders here this afternoon.

The fifth SAARC summit will be held in Colombo, Sri Lanka, in 1989.

#### **'News Analysis' Views Summit**

OW3112225288 Beijing XINHUA in English  
1629 GMT 31 Dec 88

["News Analysis: New Step Forward in Promoting Mutual Understanding (by Zhao Jinchuan and Li Jiasheng)"]—XINHUA headline]

[Text] Islamabad, December 31 (XINHUA)—The fourth summit of the South Asian Association for Regional Cooperation (SAARC) which concluded here today marks a new step forward in promoting mutual understanding and cooperation in the South Asian region.

Since the inception of the SAARC forum in 1985, leaders of SAARC which groups Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka, have made efforts to move towards mutual understanding and trust in furthering regional cooperation.

But the three-year old SAARC has moved slowly as the SAARC leaders pointed out at the current summit. No significant headway has been made in the realm of peace and cooperation. Its activities have been mostly confined to holding seminars and workshops.

Addressing the fourth SAARC summit opened here on December 29, Bangladesh President Ershad said, "We must move forward with greater speed and pace to make up for the lost time. We cannot afford to be slow and hesitant when it involves the well-being of one-fifth of humanity in the world."

The fourth SAARC summit has seen new steps in this direction. It has provided the opportunity for the first visit to Pakistan by an Indian Government leader in the past over 28 years, and bilateral talks were held here between Pakistan's newly elected Prime Minister Benazir Bhutto and her Indian counterpart, Rajiv Gandhi.

Both leaders of Pakistan and India, the two major SAARC members, have expressed their desire to ease their age-long tensions and promote mutual understanding and trust to give an impetus to the regional cooperation.

Against the background of a general trend towards detente and peaceful resolution of long-standing regional and world conflicts in the past year, the SAARC leaders in general and the Pakistan-Indian leaders in particular have come to see the importance to "adjust their policies to the new realities" and bring them in accord with the desire and need of their people "for peace and prosperity in a region freed of the danger of war."

Both Benazir and Rajiv pointed out at the summit that "unresolved disputes, mutual suspicions" and preoccupation with "petty quarrels" keep them from coming together whole-heartedly to fulfill their pledges in joint endeavors for the good of all the people in the region.

Most people here do not expect miracles from the "Benazir-Rajiv talks," yet what they do hope is the beginning of "a new era" of mutual trust and friendship between Pakistan and India.

The Pakistan-Indian bilateral talks will go a long way in not only bringing the two South Asian neighbors closer, but also promoting mutual understanding and trust among other SAARC member states, which will certainly give a new dimension to the SAARC forum and enable it to make more tangible progress in the future.

#### Indian Communist Party Ends Congress

**Zhao's Greetings Conveyed**  
OW0101014689 Beijing XINHUA in English  
1615 GMT 31 Dec 88

[Text] Trivandrum, December 31 (XINHUA)—The 13th congress of the Communist Party of India (Marxist) ended here today with E.M.S. Namboodiripad reelected the party's general secretary.

This was the fourth time that Namboodiripad was elected general secretary.

Li Chengren, representative of the Central Committee of the Communist Party of China (CPC), conveyed greetings to Namboodiripad from Zhao Ziyang, general secretary of the CPC Central Committee, on his reelection.

The congress, which started here on December 27, also elected a new Central Committee and enlarged the Political Bureau from 10 members to 12 members.

According to an amendment to the party Constitution, adopted by the congress today, the party decided to set up a secretariat to deal with daily work for the party Central Committee and assist the Political Bureau to implement decisions made by the party Central Committee.

The Secretariat consists of five members who were elected at the congress today.

#### Gandhi's China Visit Hailed

OW0101004989 Beijing XINHUA in English  
1153 GMT 31 Dec 88

[Text] Trivandrum, December 31 (XINHUA)—The Communist Party of India (Marxist) [CPI(M)] has hailed the successful outcome of the recent visit to China by Indian Prime Minister Rajiv Gandhi.

A resolution, adopted by the 13th Congress of the CPI (M) here Friday [30 December], said the joint communique issued at the end of the visit constitutes important steps to breakthrough the existing stalemate and restore the former understanding and friendly relations between India and China.

The CPI (M) expressed the hope that restoration of friendly relations and cooperation in economic and other spheres between India and China will not only promote the interests of the two countries, but will have a profound influence on international developments.

The party was specially satisfied that the governments of India and China have decided to do away with the earlier inhibitions and take steps to overcome the alienation of the past.

**'News Analysis' on Israel's Peace Proposals**  
OW3112030488 Beijing XINHUA in English  
1242 GMT 30 Dec 88

["News Analysis: Israel's Impracticable Steps to Mideast Peace (by Chen Peiming and Yan Yijiang)"]—XINHUA headline]

[Text] Beijing, December 30 (XINHUA)—Israel's latest peace proposals are only designed to offset international pressure following the Palestine Liberation Organization's peace offensive.

Prime Minister of Israel's new coalition government and Likud leader Yitzhak Shamir said Sunday [1 January] that he will announce a detailed proposal within a few weeks.

It is believed the new proposal will only be to grant limited autonomy to the West Bank and Gaza Strip as stipulated in the 1978 Israeli-Egyptian Camp David Accord.

A spokesman for Shamir called the new proposal a "good old wine," and said that it is not a "new initiative."

The Israeli coalition is following a two-way policy, working out an emergency plan to counter the PLO's political offensive while intensifying the suppression of the Palestinian uprising in the occupied territories.

The proposals will be doomed to failure since Israel refuses to change its stand on two key issues: its refusal to recognize the PLO and to participate in a proposed international Middle East peace conference.

Shamir insists that the Palestine issue be solved on the basis of the Camp David treaty. He allows only limited autonomy in the occupied territories and agrees to negotiate only with selected Palestinians in the territories.

Such a policy has long proved a dead end simply because it rejects the PLO's participation and denies the Palestinian right to national self-determination.

Shamir attacked the United States for opening dialogue with the PLO, saying that it was a "mistake," and demanding an immediate end to such dialogue.

On the inauguration of the new coalition, Shamir told the Parliament that he will be firmly against the proclaimed Palestine state and any negotiations with the PLO. Instead, he called for direct negotiation between Israel and Jordan, an idea that Jordan's King Husayn has rejected.

Shamir will reportedly propose a peace conference sponsored only by the United States and the Soviet Union, instead of a UN-sponsored one with the participation of the five permanent members of the UN Security Council, including China, Britain and France.

About Shamir's latest "peace signal," even U.S. Ambassador to Israel Thomas Pickering, who is finishing his term of office, said that "I have not seen any fundamental changes in the Israeli stand."

To survive Israel's internal and external crises, Shamir, the right-wing leader who had vowed not to cooperate with Shimon Peres of the center-left Labor Party, had to share power with Labor again.

Shamir has said that a broad-based government is needed to confront international pressures caused by U.S.-PLO dialogue. Peres holds that Likud's coalition with Labor instead of with religious parties will free Israel from its isolation and political turmoil.

The deal made for coalition includes sticking to the policy not to negotiate with the PLO, establishing five to eight Jewish settlements in the occupied territories and forbidding any proposals by either party without common consent.

This program is by no means a realistic approach toward a peace settlement.

Well-advised Labor politicians have pointed out that the new coalition "will darken the prospect of achieving peace."

Shamir has taken an impracticable step against an international peace-calling wave. Although Israel strives to break out of its isolation, the step it is taking will only deepen its crisis.

## Sub-Saharan Africa

### Further Reportage on African Student Situation

#### University President Comments

OW3012192988 Beijing XINHUA in English  
1839 GMT 30 Dec 88

[Text] Nanjing, December 30 (XINHUA)—Those who are responsible for the conflict which took place last Sunday in Nanjing's Hehai University will be dealt with according to school discipline and Chinese law, Liang Ruiju, president of the university said here today.

"A nation must have laws and a school regulations," he said in an interview with XINHUA. "All students in my school, without exception, must observe the laws and school regulations."

"The relations between the Chinese and African students have been good," he said. "The incident on December 24 was premeditated by a few African students to disrupt my school's order."

The university has 77 foreign students from 23 countries, including 69 from Africa. The first group of African students came to the university in 1978.

"Most African students have been doing well," he said. "But some of them, small in number, who are responsible for the clash, have been always abominable in their behavior and sluggish in their study."

Since last September, Liang said, several stealing cases took place in the dormitories of foreign students. To ensure their safety the school built a wall to link two foreign student dorms and required visitors to be registered and met at the reception room.

But the wall was knocked down by a few African students in mid-November.

The school authorities deducted scholarships of those who were responsible for this and refused to pay for the loss.

As a result, Liang said, a group of African students, incited by a few, occupied the university's cashier's office, destroyed furniture there and restricted the personal freedom of the workers for six hours.

"I passed on my orders, asking them to leave the office. But they refused. They left the office only after I personally went there," he said.

Early this month, Liang went to Beijing to brief the embassies of Benin, Senegal, Ghana, the Congo, Zaire and Zambia. And later several ambassadors and other diplomats of these countries came to Nanjing to put the matter across to the African students.

But some of the African students wrote to Liang upon the diplomats' departure, claiming they were going to knock the wall down again.

The president went to Beijing to approach the embassies for the second time before the incident of December 24.

"The incident was provoked by a few African students," Liang said, adding the indignant Chinese students, who got to know the Africans had injured 11 Chinese, surrounded the African students' dorms, took to the street and shouted what Liang called "erroneous slogans."

"The Chinese people always cherish their friendship with the African people," Liang said.

He noted that some foreign correspondents have described the incident as racial discrimination on the part of the Chinese people. "This is absurd," he said.

"My colleagues and I feel proud because my school can train experts for African countries," said the president who is an expert in irrigation himself. "I hope the African students will learn something useful in my school and do something useful for their own countries in the future."

#### **African Student Detained**

OW3112131788 Beijing XINHUA in English  
1250 GMT 31 Dec 88

[Text] Nanjing, December 31 (XINHUA)—Alex Dzabaku Dosoo, a student from Ghana, has been detained in connection with an assault on Zhang Jitao, an employee of

Hehai University, last Sunday, an official from the Nanjing City police headquarters told XINHUA here today.

Dosoo, studying irrigation at the university, was involved in an affray at the university on the evening of December 24, the official said.

Three other foreign students have been summoned by local police for interrogation in connection with the affray, the official said.

#### **University Officials Blame Africans**

HK3112022588 Hong Kong HONGKONG STANDARD  
in English 31 Dec 88 p 1

[By Tammy Tam]

[Text] The African students involved in the clash in Nanjing have been branded "womanisers", and are said to be totally to blame for the fighting in which two Africans and 11 Chinese were injured.

Hehai University officials called the African students' behaviour "immoral" and demands for their punishment were made at the campus, scene of the weekend's worst fighting which erupted around Chinese universities.

Nanjing authorities said though seven African exchange students had been identified as those involved in the campus clash, no decision had been made to prosecute them.

Mr Liang Ruiju, president of Hehai University, yesterday said the Africans were to blame for starting the fighting on Christmas Eve and should be punished.

And Mr Su Xiaoxun, a spokesman of Jiangsu Provincial Foreign Affairs Office, came out in support of Chinese students saying they were not responsible for the bloodshed.

"It was the African students who first started the fight. No Chinese students or school employees had ever beaten them," Mr Su told the HONGKONG STANDARD.

An editorial in the city's leading newspaper XINHUA DAILY yesterday also came down on the African students. "The trouble-makers, a minority of foreign students, will be punished...China will not forgive those students who break China's law," it said.

Meanwhile, Chinese officials denied the women brought by two African students to a Hehai University Christmas party were from Hong Kong.

An African electronics student had earlier told foreign journalists the two girls were from Hong Kong. But Mr Zhang Jiangmin, secretary to the president of Hehai University told the HONGKONG STANDARD yesterday: "What the African student said was a lie. They are local women."

"We have already identified one of the women as the daughter of one of our employees," he said. "However, she is a 'wornout shoe' (by) which we mean a loose woman.

"The other one is a prostitute. She wanted to leave that night when the gatekeeper asked her to put down her name. But the African student who took her there grabbed her and shouted at her, saying 'I have already paid you, so you cannot leave,'" Mr Zhang added.

He also accused some African students of being immoral. "They always bring some Chinese women into their buildings and keep them overnight," he said.

The university earlier built a wall around the two dormitory buildings housing African students, but it was later torn down.

When the school demanded the Africans pay for the damage a group of them protested at the school's finance office.

The Africans were said by the university president to be unhappy about the wall because "they couldn't play with girls freely."

"The seven or eight involved in the fight (on Saturday) were the same who occupied the finance office and the same who led the students in breaking the wall," President Liang said.

Mr Zhang said the main purpose for building the wall was to stop African students exchanging obscenities with Chinese women.

Most African students are men who spend a few years in China. Under recently-enacted laws, any foreigner who stays in China for longer than a year must be tested for AIDS.

One student had been sent home in November after it was discovered he was an AIDS carrier.

Meanwhile, African embassies, upset at Beijing's handling of the clash have formed a "crisis group" to monitor the situation, an African diplomatic source said.

#### **Police Storm Nanjing Guesthouse**

HK0201043089 Hong Kong HONGKONG STANDARD  
in English 2 Jan 89 pp 1, 2

[By Fan Cheuk-wan]

[Text] More than 400 Chinese police stormed a guesthouse near Nanjing where African students had barricaded themselves in at the weekend.

Students resisting the entry of the police during the operation were seen being beaten back with truncheons and electric cattle prods.

Fighting broke out between police and African students when the authorities tried to arrest a Ghanaian student.

Police, who earlier demanded access to arrest alleged ringleaders of bloody racial clashes at Hehai University on December 24, arrested two African students and detained three others for questioning. All five will be expelled from the university.

Witnesses said the police forcibly moved into the dining hall of the guesthouse at Yizheng on Saturday and evicted the students, ordering them to board buses. Some were put back in the guesthouse under heavy police guard.

The students had been sent to the Xu Pu guesthouse, at a chemical complex at Yizheng, a town 60 kilometres northeast of Nanjing, for their own safety, said officials after bloody racial clashes led to a week of unrest in Nanjing.

The group of about 135 African, Asian and European students had refused to speak to Chinese authorities nor allow any Chinese into the guesthouse because the authorities had earlier stated their intention to punish the alleged culprits of the Christmas Eve clash.

Witnesses said about 20 students had returned to their universities and colleges in Nanjing after the raid. But the whereabouts of more than 100 other students evicted from the guesthouse were not clear.

African students who returned to the southeastern university on Saturday told foreign reporters they were forcibly removed from the guesthouse at lunchtime that day.

They said they were forced out of the building and brought to a nearby field, where they were surrounded by about 400 policemen.

About eight foreign students were picked out as alleged troublemakers, among them those subsequently arrested or detained for questioning.

The singled out "troublemakers" were identified as coming from Benin, the Congo, Ghana and Zambia.

Mr Alex Dzabaku Dosoo, a student from Ghana, and another 26-year-old student, Mr Ludovic Boni, were the two arrested.

Three other foreign students were summoned by the Public Security Bureau for interrogation in connection with the affray.

The Christmas Eve clash had sparked off five days of protests by thousands of angry Chinese students and local residents calling for punishment of the African students.

Mr Wang Guangsen, a spokesman for the Jiangsu Provincial Foreign Affairs Office, yesterday confirmed some students had been taken away but said he did not know where they were taken.

Mr Wang said about 50 African students from the Hehai University were not removed and remained under heavy guard in the guesthouse because of serious tension at the university.

A spokesman for the Nanjing Municipal Public Security Bureau told the HONGKONG STANDARD the police raided the guesthouse and arrested the students according to the law.

He said Mr Dosoo was detained in connection with an alleged assault on Mr Zhang Jitao, an employee of the university. Mr Zhang received serious head injuries during the clash.

Hehai University president's secretary, Mr Zhang Jianmin, yesterday told the HONGKONG STANDARD the 50 African students from his university were still staying in the guesthouse in Yizheng.

Mr Zhang said the president of the university, Mr Liang Ruiju, went to Yizheng yesterday to prepare for negotiations.

"Mr Liang has decided to talk to individual African and foreign students in the guesthouse this week. He will try to help them solve their problems," he said.

Mr Zhang said it was necessary for the police to use force because the students did not allow any Chinese to enter the guesthouse. "The police have a duty to detain the culprits of the assault," he said.

He added eight students from Nepal and one from Pakistan had returned to the Hehai University after getting Mr Liang's written assurances of their safety.

#### Beijing Students Protest

HK0301132689 Hong Kong AFP in English 1259 GMT  
3 Jan 89

[Text] Beijing, Jan 3 (AFP)—Racial unrest came to Beijing on Tuesday [3 January] as Chinese students demonstrated and put up angry wall posters, demanding punishment for an African who they said "humiliated" a Chinese woman.

The posters, illegal under China's constitution, and protest march at Beijing Language Institute were the first in the capital after a Christmas Eve clash in Nanjing between African and Chinese students left 13 people hurt.

"Punish the troublemakers. Blood for blood," read one of the posters inside the ramshackle Chinese dormitory at the normally placid institute, where the vast majority of 1,200 students are foreigners learning Chinese.

"Stand up. We do not want to be second-class Chinese citizens," read another.

Some posters attacked student representatives, saying they had failed to take effective action. "Get out of here. You are not on our side," one said.

African students reacted by announcing their own protest for Wednesday. Campus officials met to discuss the situation, but there was no immediate reaction from them or the government's State Education Commission.

Unrest at the Beijing Language Institute began early Tuesday with a spontaneous demonstration by more than 100 Chinese students, joined by some teachers, carrying banners saying, "Don't offend Chinese."

About a dozen security guards looked on, but there were no incidents.

"A female Chinese student was humiliated by a black in a dormitory on the night of January 1, 1989, at our campus," read a pamphlet distributed by the demonstrators. "We never want to commit racism, but we will track down all those who do not respect the law of the country."

The "black" was not identified by name or nationality.

Africans at the institute told an AGENCE FRANCE-PRESSE reporter that the allegation was absurd. They said it was impossible for them to get into the dormitory without registering and identifying whom they were going to see.

Later Tuesday, a poster appeared on campus, announcing a demonstration Wednesday by African students. But it disappeared shortly afterwards.

"Chinese people in general do not respect Africans. Most think Africans are animals. We want to stage a peaceful demonstration... People must respect our dignity," the poster said.

In Nanjing, foreign students said they had no word on the fate of six Africans seen being taken away by police Saturday in connection with the December 24 fight at Hehai University.

That clash—termed an "isolated incident" by the Chinese Foreign Ministry—prompted a march December 26 by 5,000 Chinese students, demanding that Africans whom they held responsible be punished.

"We don't know where they are. We don't know how they are being treated," said a student from Mali, who requested anonymity, about the missing six.

Mamah Gobo Bio, first secretary at the Benin Embassy here, said Monday his embassy had received eyewitness reports that students detained in Nanjing had been stripped naked, hit in the body and stricken with electric prods.

Reporters in Beijing were unable to contact 51 African students who have been refusing to leave their dormitory at Zhejiang Agricultural University at Hangzhou since December 16, angered by a local newspaper article which they say linked them with AIDS.

Meanwhile, an African student in Wuhan, central China, said a Sri Lankan was hurt when Chinese threw rocks at a foreign students' dormitory at Industrial Chemical College.

He said the incident followed posters that called Africans "black devils."

Some 1,500 Africans study in China as part of Beijing's helping-hand policy towards developing nations.

But many say they are victims of racial prejudice among Chinese ignorant of African culture and resentful of the better living conditions that all foreign students enjoy in China.

#### University Head To Meet Students

HK0301034189 Hong Kong HONGKONG STANDARD  
in English 3 Jan 89 p 4

[By Fan Cheuk-wan]

[Text] The president of Hehai University in Nanjing has arrived at a guest house in Yizheng to pacify about 50 African students being held there.

Mr Liang Ruiju, president of the university, where a bloody clash on Christmas Eve sparked off a week's racial unrest in Nanjing, plans to talk to individual students and calm them down.

Mr Liang's secretary, Mr Zhang Jianmin, told the HONGKONG STANDARD yesterday that the campus head would start talking with the African students later this week.

"Mr Liang will talk to them one by one. He will try to understand their feelings, needs and future plans, then help them solve the problems," Mr Zhang said.

More than 130 foreign students, mostly African, were forcibly removed from the Xu Pu Guest House in Yizheng on Saturday [31 December].

About 20 are said to have returned to their campuses, including the Hehai University, the Nanjing Polytechnical University and Nanjing Pharmaceutical University. There has been no news of the others.

Two African students, Mr Alex Dzabaku Dosoo from Ghana, and Mr Ludovic Boni from Benin, arrested in the Saturday operation, are being held by police.

Three other foreign students were questioned by the Public Security Bureau. They are believed to be from Ghana, Benin and Zambia.

However, Mr Mamah Gobo Bio, first secretary at Benin's Embassy in Beijing, told foreign reporters up to seven African students were detained by police in Nanjing.

"The detained students come from Zambia, Ghana and the Congo. Two of them are from my country, they have been held since Saturday," Mr Bio said.

The students had refused to speak to Chinese authorities and prevented them from entering the guest house before Saturday's raid.

"After the arrests, the students may be agitated. I think Mr Liang will wait for a calmdown of their mood," he said.

Mr Zhang said the police had to use force because the students did not allow the Chinese to enter the guest house.

He said eight students from Nepal and one from Pakistan had returned to Hehai University after getting Mr Liang's written assurance of their safety.

Mr Zhang said the university would expel five African students, alleged to be the instigators of the clashes. They were now being questioned by the police.

"The three university vice-presidents decided to expel the five out of the university because they had breached the criminal laws, but the decision still requires the formal approval of Mr Liang," he said.

"According to university regulations, they should be expelled and sent back to their own countries immediately after being punished by the law," he said.

But Mr Zhang reaffirmed the university would continue the existing policy to accept African students despite the current racial clash.

Mr Liang told reporters in Nanjing the university might not expel all the nine alleged African students involved in the December 24 violence.

"If they can offer satisfactory answers, we are willing to treat them leniently," Mr Liang said.

**Zhao Ziyang Addresses New Year Tea Party**  
*HK0201112089 Beijing RENMIN RIBAO in Chinese*  
2 Jan 88 p 1

[Greeting by Zhao Ziyang, general secretary of the CPC Central Committee, at the New Year tea party held by the National CPPCC Committee on 1 January in Beijing]

[Text] Beijing, 1 Jan (RENMIN RIBAO)—The full text of the message by Zhao Ziyang at the New Year tea party held by the CPPCC National Committee reads as follows.

Comrades:

Today, we are here to celebrate the arrival of a new year. On behalf of the CPC Central Committee and the State Council, I wish to extend my festival greetings to all those who are present here; to various democratic parties; to patriotic personages without any party affiliation; to the people of all nationalities throughout the entire country; to the compatriots in Taiwan, Hong Kong, and Macao; and to all Overseas Chinese.

After carrying out reform and opening to the outside world for the past decade, tremendous changes have taken place in our country. Our social productive forces have rapidly developed, the actual economic strength of our state has greatly expanded, and the living standards of the people have markedly improved. More important is the fact that we are trying to find a way out, on the basis of the state of affairs in China and through continuous practice and exploration, to help socialism, which had great appeal to the working people of the whole world, extract itself from the old system and once again demonstrate its inherent superiority and vitality. Such an old system has found it increasingly difficult to keep pace with the further development of the productive forces. This is something of pioneering significance. Naturally, it is a difficult and complex task.

It is impossible to expect smooth sailing in carrying out an enormous and complex reform program in a vast country like China. We are now faced with many difficulties and problems, the most serious of which is marked inflation since last year. I think, everyone knows that many countries in the world have experienced serious inflation when they were making a leap forward economically. However, our country must not trade runaway inflation for its economic development. The party central committee and the State Council have put forward: It is necessary to ensure that price rises in 1989 are conspicuously lower than those in 1988.

It is possible for China, a socialist country, to make a steady advance. However, as our commodity economy is developed under the conditions of socialism based mainly on public ownership, we have encountered new problems for which there is no ready answer to be found both at home and abroad. Take, for example, the ways

and means for establishing the mechanism restricting investment in fixed assets, for effectively controlling excessive self-expansion of consumption funds, and for maintaining an overall balance and rational structure of loans on credit accordingly after powers are relegated to lower levels and the economy is invigorated under the conditions of public ownership. Without prior practice, it is very difficult to predict all newly emerging problems or to predesign a complete and perfect policy for tackling them. Thus, it is hard to avoid defects, errors, and setbacks in the work. However, as we accumulate additional experience and lessons, we have found more ways and means and will adopt better policy measures to solve newly emerging problems.

The measures taken by the party Central Committee and the State Council to improve the economic environment, rectify economic order, and deepen reform in all fields since the 3d Plenary Session of the 13th CPC Central Committee have begun to yield results. A large number of unnecessary capital construction projects have been suspended or postponed, bank deposits are on the rise, the range of price hikes has been reduced, and the prices of some means of production and daily necessities are beginning to drop. Drawing historical lessons in the current effort to improve the environment and straighten out the order, we have focused attention on readjusting the economic structure, restricting or guaranteeing projects as deemed necessary according to the industrial policy. If the readjustment becomes a success, it will further rationalize China's economic structure, improve the economic environment and order in a real sense, and give a strong impetus to the establishment of a new order of socialist commodity economy. To the national economy as a whole, the success will signify an improvement in its efficiency and quality. Therefore, the policy to improve the economic environment and straighten out the economic order is positive and coincides with the general orientation of reform.

We should not overestimate the initial results of the policy to improve the environment and rectify order. The tasks remain extremely arduous, and we should on no account slacken the effort. It is imperative to unswervingly carry out the measures issued by the party Central Committee and the State Council to improve the environment and straighten out order, and, at the same time, to actively explore new ways and means for exercising overall control of the national economy. We are still confronted with many difficulties. However, it is wrong to vacillate over the general policy of reform and opening to the outside world because of difficulties; the trend of thought that doubts or even denies fundamentally the socialist system because of these difficulties is all the more wrong. It is necessary to uphold the party's basic line and two basic points. We are pleased that the CPC shares a common understanding with all democratic parties and patriots in various circles on this fundamental issue. All democratic parties and patriots in various circles have done tremendously in the recent work to improve the environment and rectify order. We are

convinced that with common effort by all and through the joint struggle by the Chinese people of all nationalities, the work to improve the economic environment and

—1989 New Year Message

**RENMIN RIBAO Editorial**

sailing and cannot become successful overnight. There is no ready-made model or plan for us to copy or follow. We can only grope for ways to further the reform along this road: Practice, recognize, practice again, and recognize again. Therefore, in a certain sense, the difficulty is in the classroom and the problem is the teachers. Temporary setbacks can help us to learn many things which we are unable to learn under smooth circumstances. What is most important at the present time is to conscientiously summarize experience and to enhance understanding of the law of reform, thereby strengthening confidence in the reform and closely rallying around the party Central Committee in heightening the spirit and in working hard with one heart and one mind.

History is an unbroken process, and 1989 is the continuation of 1988. Positive and negative, as well as cheerful and sad, events will inevitably continue. The statement "with the beginning of another new year, everything will be fresh and cheerful" contains, after all, only the best wishes for new year. We should fight in unity to develop and increase the proportion of positive and cheerful events while overcoming and gradually decreasing the proportion of negative and sad events. The year 1989 will be a better one than 1988.

In the coming year, we must more resolutely carry out the principles adopted by the 3d Plenary Session of the 13th CPC Central Committee and undertake more effective measures for achieving additional tangible results in improving the economic environment and rectifying the economic order.

In the coming year, we must promote the economic structural reform in a down-to-earth manner, combine the improvement of the economic environment and the rectification of the economic order with a readjustment of the production structure and a strengthening of the reform, integrate immediate efficiency with long-range consideration, and make relentless efforts to set up a new order of socialist commodity economy.

In the coming year, we must vigorously develop agriculture, particularly grain production, and increase the effective supplies of farm and subsidiary produce in order to achieve a breakthrough in the protracted stagnation of grain production which has existed over the last few years and strive for an agricultural bumper harvest.

In the coming year, we must actively but prudently promote the political structural reform, step up efforts to improve socialist democracy and the socialist legal system, and resolutely safeguard political stability and unity in order to ensure and promote the smooth progress of economic structural reform and the modernization drive.

In the coming year, we must maintain high standards in the party and the government. We must especially adopt practical and effective measures to maintain the integrity of the government in order to minimize the scope of negative and decadent practices, strive to safeguard and enhance the prestige of the party and the government, and increase the cohesive and appealing powers of the party and the government, thereby creating a better and more healthy political environment for the reform and the opening to the outside world, as well as promoting the building of spiritual civilization by the whole society.

In the coming year, we must further promote the reform of the science and technology management system, the educational system and better harness the enthusiasm of the large numbers of scientific and technical personnel and educators in promoting the development of scientific, technological, and educational undertakings.

The tasks confronting us in 1989 are tremendous and heavy, but the conditions are ready for fulfilling these tasks. Internationally, the world is moving from confrontation to dialogue and from tension to relaxation. Such a move is generally to China's advantage. There may be a protracted stable international environment for China to concentrate its efforts on reform and the modernization drive. It is of utmost importance for us not to let this golden opportunity slip by but to grasp the favorable conditions to overcome unfavorable factors and do our work well.

The People's Republic will celebrate its 40th anniversary this year. Let us work more diligently and firmly and greet the glorious festival with new successes in reform and construction.

**Leaders Attend CPPCC New Year Tea Party**  
OW0101200789 Beijing XINHUA Domestic Service  
in Chinese 1311 GMT 1 Jan 89

["Local Broadcast News Service"; by reporters Zou Aiguo and Zheng Qingdong]

[Excerpts] Beijing, 1 Jan (XINHUA)—The CPPCC National Committee sponsored a 1989 New Year tea party at the main hall on the third floor of its auditorium this morning.

In his New Year message, Zhao Ziyang, general secretary of the CPC Central Committee, expressed the conviction that with common effort by all and through the joint struggle by the Chinese people of all nationalities, the work to improve the economic environment and rectify economic order will surely fulfill its targeted goal, and that China's reform will certainly advance continuously and score even greater achievements.

Zhao Ziyang said: We are still confronted with many difficulties. However, it is wrong to vacillate over the general policy of reform and opening to the outside world because of difficulties; the trend of thought that

doubts or even denies fundamentally the socialist system because of these difficulties is all the more wrong. He emphasized that instability and chaos are incompatible with the vital interests of the Chinese nation.

A huge streamer saying "Happy New Year" hung in the middle of the hall, with lanterns and potted poinsettias lining both sides. Zhao Ziyang, Yang Shangkun, Li Peng, Wan Li, Hu Qili, Tian Jiyun, Song Ping, Song Renqiong, Rui Xingwen, and Wen Jiabao were seated at round tables, exchanging greetings and renewing friendship with people from various circles attending the tea party.

Yan Mingfu, vice chairman of the CPPCC National Committee, presided over the tea party. Entrusted by chairman Li Xiannian and the CPPCC National Committee, he extended warm regards to comrades and friends at the tea party.

CPPCC National Committee Vice Chairmen Gu Mu, Yang Jingren, Kang Keqing, Hu Ziang, Zhou Peiyuan, Qu Wu, Qian Xuesen, Qian Weichang, Hu Sheng, Sun Xiaocun, Cheng Siyuan, Lu Jiaxi, Qian Zhengying, and Ismail Amat, as well as Secretary General Zhou Shaozheng, attended the tea party.

Zhao Ziyang delivered a message at the tea party. [passage omitted]

Lei Jieqiong, chairman of the Central Committee of the China Association for Promoting Democracy, spoke on behalf of all democratic parties, democrats without party affiliations, and the All-China Federation of Industry and Commerce, extending best wishes for happiness and good luck in the coming New Year. She said: So long as we ensure that the CPC Central Committee maintains high standards of the party; laws are strictly enforced in the country; the government is clean and honest; society is stable and united; and the whole nation from top to bottom heightens spirit, works hard, and seeks truth from facts, we will surely be able to overcome the difficulties confronting us and China will score greater successes in its reform and construction in the coming new year.

Also attending the tea party were Vice Chairmen of the NPC Standing Committee Xi Zhongxun, Peng Chong, Zhu Xuefan, Ngapoi Ngawang Jigme, Bainqen Erdini Qoigya Gyaincain, Seypidin Aze, Zhou Gucheng, Yan Jici, Rong Yiren, Ye Fei, Liao Hansheng, Ni Zhifu, Chen Muhua, and Fei Xiaotong, as well as officials of all democratic parties and the All-China Federation of Industry and Commerce, standing committee members of the NPC and the CPPCC National Committee, and celebrities from various circles, totaling some 500.

**CPC To Appoint Noncommunist Ministers**  
*HK0201031689 Hong Kong MING PAO in Chinese*  
2 Jan 88 p 9

["Song Kun, Deputy Head of the United Front Work Department of the CPC Central Committee, Says That a Number of Democrats Will Be Recommended for Leading Posts in Some Ministries and Commissions"]

[Text] Song Kun, deputy director of the United Front Work Department of the CPC Central Committee, said that if the leading posts of one-third of the departments of the State Council are taken by noncommunists, a new change will occur in China's political life. He also revealed that the CPC is planning to recommend a number of members of various democratic parties and public figures without party affiliation for leading positions in some ministries and commissions of the State Council.

According to the latest issue of LIAOWANG published today, Song Kun said that the CPC has worked out eight initial plans for improving and developing the multiparty cooperation system, including the plan for recommending democratic party members and nonpartisans for government leading positions.

Song Kun said: In the first years of the People's Republic, about one-third of the ministers were democratic party members and nonpartisans. At present, Feng Tiyun, vice chairman of the China Democratic National Construction Association and vice minister of supervision, is the only ministerial-level leader with membership in a democratic party in the State Council.

Song Kun indicated that the democratic parties should have their own means to express their political opinions. At present, the Revolutionary Committee of the Chinese Kuomintang publishes TUANJIE BAO twice a week, and the China Democratic League publishes QUN YAN monthly. This is not commensurate to the position and role of the democratic parties. Song Kun said that the department concerned is studying measures for helping the democratic parties republish their own newspapers. He said: "We hope that we will achieve the expected results in this respect as soon as possible."

At the same time, Song Kun also revealed other aspects of the eight plans: Codifying the multiparty cooperation system into law; holding regular consultations between the CPC and the democratic parties; strengthening ties between the government and the democratic parties; supporting the formulation of programs by the democratic parties with their own characteristics; and improving the work regulations of the democratic parties. When talking about the legalization of the multiparty cooperation system, Song Kun said that the United Front Work Department is making efforts to request the supreme organ of state power to include principled stipulations on the position, character, and role of the democratic parties in the state political life in the Constitution.

**CPC Appoints Woman United Front Deputy Head**  
*OW3112130588 Beijing XINHUA in English*  
0819 GMT 31 Dec 88

[Text] Beijing, December 31 (XINHUA)—The Chinese Communist Party (CPC) Central Committee recently appointed Wan Shaofen as deputy head of its United Front Work Department.

Wan Shaofen, a university graduate in economics, has formerly been head of Jiangxi Provincial Women's Federation and head of the Organization Department of the Jiangxi provincial party committee. Before her present position, she was secretary of the Jiangxi provincial party committee.

**Li Peng Addresses 30 Dec State Council Meeting**  
*OW3112015088 Beijing XINHUA Domestic Service*  
in Chinese 1422 GMT 30 Dec 88

["Local Broadcast News Service"; by reporters Ji Naifu and Wang Jinhe]

[Text] Beijing, 30 Dec (XINHUA)—Premier Li Peng presided over the 4th plenary session of the State Council here today to review the work of the council since the 3d Plenary Session of the 13th CPC Central Committee and, at the same time, to plan its work for next year, primarily for the first quarter of the new year.

Premier Li Peng made an important speech at this session. He asserted that since the 3d Plenary Session of the 13th CPC Central Committee, some results have been achieved in improving the economic environment and rectifying the economic order. The upward trend in commodity prices has been alleviated throughout the entire country, while savings deposits have increased step-by-step in both urban and rural areas. The procurement of grain by contracts has nearly been completed, with over 95 percent of the target fulfilled at present. This year we have experienced more calamities brought on by drought and waterlogged conditions, which has reduced our grain output to a remarkable extent. However, a generally good harvest of the autumn crop has made up for a portion of the losses caused by drought and flood. The overheated state of the economy has not been corrected. The growth of production has remained at a high level, and consumption funds have continued to grow. The work of curtailing the scale of capital construction, though carried out in a comprehensive manner, is still far from meeting the demand set by the state. Moreover, despite the efforts being made to curtail the scale of capital construction, the problem of rushing to continue the construction of old projects or to begin new ones remains rather serious. Various facts indicate that the work of improving the economic environment and rectifying the economic order is still in the initial stage and that we should, in no way, overrate our achievements. We should have an adequate understanding of the arduous and protracted nature of this work.

He stated: In order to implement the principle set at the 3d Plenary Session of the 13th CPC Central Committee, a series of specific measures have been formulated by the CPC Central Committee and the State Council. In this regard, some 30 statutes, regulations, measures, decisions, and circulars of one kind or another have been issued, and more are expected to be put out. Comrade Ziyang has said it is necessary to use five methods simultaneously to improve the economic environment and rectify the economic order; that is, to make comprehensive use of economic, administrative, legislative, and disciplinary means, as well as ideological and political work. We should use economic means wherever possible, but we should also adopt some administrative means when necessary. When using economic and administrative means, we should legalize them in order to reduce the degree of arbitrariness in doing this work.

Li Peng said: Following the 3d Plenary Session of the 13th CPC Central Committee, a series of important meetings by the CPC Central Committee and the State Council took place, and an overall plan for next year's work was formulated. Additional meetings were then held to make specific arrangements for next year's economic work, as follows:

1. Next year it will be necessary to reduce the excessively high economic growth rate to a relatively reasonable level and go all out to curtail the scale of capital construction, which is too large.

2. We must assign a very important place to agricultural production and try to win a bumper harvest next year. With regard to the policy to be pursued, we must further stabilize the contracted responsibility system based on households with remuneration linked to output and, only where conditions permit, promote various forms of operations on an appropriate scale. To encourage the peasants' enthusiasm to grow grain crops, a decision has been made to appropriately raise the purchase prices of grain and cotton, as well as the ratio between the chemical fertilizers supplied at low prices and the grain covered by purchase orders. In addition, chemical fertilizers, plastic film, and pesticides will be put under exclusive state control in order to reduce intermediate links and thus forestall the problem associated with jacking up prices when these materials are passed from one hand to another.

3. Next year we should strengthen the reforms in a comprehensive way. On the whole, since the enterprise contract system was put into practice, it has produced good results. However, further efforts should be made to introduce supporting measures to ensure that the system will be complete and perfect. We should see to it that through the strengthening of reform, the attention of enterprises is really directed toward making technological innovations, reducing the consumption of energy and raw and semifinished materials, lowering production costs, and improving product quality.

4. Next year we should continue to develop foreign trade and implement the strategy of developing the coastal areas. Curtailment of the scale of capital construction should not affect those sole proprietorship enterprises or enterprises with joint investment for which contracts have been signed. In dealing with new projects belonging to the three categories of foreign-funded enterprises [Sino-foreign joint ventures, Sino-foreign cooperative enterprises, and wholly foreign-owned enterprises], it is imperative to implement the state's production policy and avoid overlapping projects introduced through different channels. We must welcome investments made in China by foreign businessmen and strive to develop those externally oriented enterprises and products that have both ends of their production processes [the supply of raw materials and the marketing of products] truly connected with the world market. It is necessary to further control imports. During the past few years, our country has imported a great deal of advanced technology, which has improved the quality and performance of our products. Therefore, we should advocate using more domestic products. If a product can be produced domestically, then either it should not be imported or the imported quantity should be restricted.

5. China will have relatively great fiscal and monetary problems next year. To ensure normal progress in improving the economic environment and rectifying the economic order, we must tighten fiscal and monetary control. We must check up on our measures governing tax reductions and exemptions, which are quite disorderly at present. Tax evasion is also rather serious, and we must earnestly improve tax collection and control. The collection of taxes imposed on special agricultural and forestry goods, land use, and personal income must be intensified. Beginning next year, there must be stricter control over township enterprises and independently operated businesses. Legitimate income must be protected, excessively high income must be regulated by means of taxation measures, and those whose income is acquired illegitimately must be punished according to law. This project should be started in large cities and the economically developed areas first. We must strictly control the growth of consumption funds. To this end, the State Council is about to draw up specific measures on the basis of results obtained from investigations and studies. Because of inevitable higher expenditures on educational, scientific, technological, and agricultural projects, the state has also decided to levy a certain percentage of funds from the extrabudgetary revenues next year. We cannot simply depend on fiscal appropriations to increase educational budgets. We must make great efforts to increase the educational budget as a percentage of gross national production and enlist the support of society, enterprises, guardians, and other quarters to promote education.

6. We must ensure that the increase in next year's commodity prices will be noticeably lower than that of this year. This is the central task in improving the economic environment and rectifying the economic

order next year, and all economic projects must be carried out around this center. While controlling commodity price increases, we must strive to increase the supply of popular goods that are closely related to people's daily life. Governments at all levels must do a good job in ensuring the production and supply of nonstaple food. They must attach special importance to the production and supply of vegetables in big cities and set up steady vegetable supply bases. This measure, known as ensuring the supply in the "vegetable basket" by developing a "vegetable garden" is important for stabilizing commodity prices. The annual holidays—New Year's Day and the Spring Festival—are around the corner. All local authorities must ensure market supply during the holidays so that the vast number of people will have a happy new year.

7. All transportation services, especially the railways, will be particularly busy during the Spring Festival. We must intensify supervision over all transportation services to ensure safety. We must further intensify the work of ensuring public order and harshly strike at all types of felons in order to ensure holiday safety.

8. Checking on companies has been carried out in various parts of the country with the objective of effectively improving the economic environment. This project has made some headway and many problems have been discovered. The handling of some cases has been completed and the results will be made public. Considering how formidable and complex the project is, the time for screening companies will be extended.

9. The reform of all ministries, commissions, and organs under the State Council has been accomplished according to schedule. Thanks to reform, preliminary results have been achieved in changing their functions, trimming their staff, and improving their efficiency. A foundation has also been laid for carrying out the civil service system reform. To consolidate the results of reform and stabilize these administrative organs' operations, next year the State Council organs will focus their attention on establishing new operating mechanisms, streamlining relations among all quarters, and improving operational efficiency.

**Li Peng, State Council on Airline Accidents**  
*HK0301125689 Beijing XINHUA Hong Kong*  
*Service in Chinese 0925 GMT 3 Jan 88*

[Text] Beijing, 3 Jan (XINHUA)—State Council Premier Li Peng this morning convened and chaired the 31st executive meeting of the State Council. The meeting discussed and passed in principle "Interim Regulations on the Investigation Procedures on Especially Serious Accidents (draft)," "Interim Regulations on the Management of Nonscheduled Civil Airline Transportation (draft)" and "Interim Regulations on Compensation for Passengers Who Sustain Bodily Injury in Domestic Airline Transportation."

The drafting of the "Interim Regulations on the Investigation Procedures on Especially Serious Accidents (draft)" is to ensure that a smooth investigation can be conducted on especially serious accidents. The "especially serious accidents" covered in the regulations refers to those accidents that cause heavy casualties, or enormous economic losses, or those especially serious in nature and having vast impact. The "Interim Regulations on the Investigation Procedures on Especially Serious Accidents (draft)" lay down detailed provisions on protection of the scene of accidents and reporting on them, investigation of the accident, and codes of punishment.

The "Interim Regulations on the Management of Nonscheduled Civil Airline Transportation (draft)" are aimed at increasing the number of charter flights by foreign civil airline transportation companies flying into China, and increasing the number of domestic nonscheduled chartered flights, with a view to strengthening management on the nonscheduled flights of Chinese and foreign civil airliners that deliver passengers, luggage, cargo, and mail either within Chinese airspace or that fly between China and foreign countries.

The "Interim Regulations on Compensation for Passengers Who Sustain Bodily Injury in Domestic Airline Transportation" include provisions on the civil responsibilities and compensation borne by air carriers for passengers who suffer physical injuries when travelling inside China. According to the regulations, the maximum amount of compensation is 20,000 yuan for each passenger, to be paid by the air carrier responsible for the compensation.

These three regulations, after undergoing further revision by the concerned departments, will be promulgated and put into effect by the State Council.

**Li Peng Speaks to Railway Cadres 28 Dec**  
OW3112123388 Beijing Domestic Service  
in Mandarin 1030 GMT 29 Dec 88

[Text] Li Peng, premier of the State Council, said to the railway cadres and workers yesterday: The current task in railway transportation is extremely arduous. Therefore, we must pay full attention to safety. Li Peng pointed out: To ensure safe transportation is a matter of great significance. We all know that railway departments have made tremendous contributions and overcome many difficulties. Major train accidents occurred at the beginning of this year. After taking the necessary precautionary measures, improvements have been made in ensuring safety in railway transportation. I like to once again remind the leading comrades and workers of the railway departments: Spring transportation will soon begin. Train accidents often occur during the first quarter of each year. All railway workers must redouble their efforts to overcome difficulties and ensure safe transportation.

Li Peng said: The Ministry of Railways is one which integrates the functions of government and enterprises. The ministry is still highly centralized in management, while assuming full responsibility for the fulfillment of its transportation plans. When accidents occur, we must not attribute them to heavy loads, poor equipment, and lack of modern facilities. The main issue is one of management. We must impose strict demands on the railway departments. Our orientation is correct in making the ministry assume full responsibility for the fulfillment of its transportation plans in the past several years. Currently, we must earnestly sum up our experience, and find out what kind of things that we must continue to do and what kind of thing we must improve. I believe, the major point is that the administrative authority must be in the hands of the Ministry of Railways and its representative organs—the railway bureaus—and that they must be helped to carry out their management work in a highly centralized and unified manner.

**Deng Xiaoping Writes Title for New Book**  
OW3012160588 Beijing Domestic Service  
in Mandarin 2230 GMT 25 Dec 88

[Text] A big book of documents, entitled "China's 10 Years of Economic Structural Reform," was published recently. The title of the book was written by Comrade Deng Xiaoping, and the book contains inscriptions by Comrades Zhao Ziyang, Li Peng, Li Tieying, and Bo Yibo. The book was compiled by the pertinent ministries and commissions of the State Council, economic restructuring departments of various localities, those doing practical work in key enterprises, and some theoretical workers as arranged by the State Commission for Restructuring Economy.

**Li Peng Signs Order on Toxic Medicines Law**  
OW3112012088 Beijing XINHUA Domestic  
Service in Chinese 1221 GMT 30 Dec 88

["Local Broadcast News Service"]

[Text] Beijing, 30 Dec (XINHUA)—Premier Li Peng signed State Council order No 23 on 27 December 1988 for the promulgation of the "Procedures for the Administration of Toxic Medicines and Chemical Agents for Medical Use."

The law, containing 34 articles, was adopted at the 25th executive meeting of the State Council on 15 November 1988. The law is effective as of the date of promulgation. The text of the law was transmitted by XINHUA on 29 December 1988.

**Qiao Shi at Party Members' Education Conference**  
OW3112064488 Beijing Domestic Service  
in Mandarin 1030 GMT 30 Dec 88

[Text] In a speech delivered at a national conference on party members' education this afternoon, Qiao Shi, member of the Standing Committee of the CPC Central

Committee, stressed: A great deal of arduous work remains to be done now if we are to do a good job in improving the economic environment and rectifying the economic order. Ten years of reform have brought about tremendous changes. The achievements have drawn worldwide attention. However, we must use great strength to overcome existing difficulties if we are to continue to advance. The more difficult it is, the more we are required to keep a good spirit. The more difficult it is, the more necessary it is to stress party leadership—emphasizing the party organization's functions as the core of leadership and as a supervisor and guarantor, as well as party members' function as an exemplary vanguard.

He said: Party members' education must begin with education about the situation. The lines, principles, and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee, especially the basic theories and lines which have been expounded and established by the 13th CPC National Congress and which the party will follow in the initial stage of socialism, should be the focus of the education. We must teach all party members to integrate persistence in Communist theories, the pursuit of modernization, and the revitalization of the Chinese nation by proceeding from the reality of the initial stage of socialism. They should contribute more during work and carry on the spirit of brave sacrifices.

Qiao Shi pointed out: The new period has not only set new tasks and requirements for us to educate party members, but it has also created new conditions for party members' education. Therefore, while using and developing past good experiences in the new situation, we should change concepts which do not correspond with the requirements of the new situation and boldly create new experiences. We must seek truth from facts, strive for substantial results, and prevent as well as overcome formalism in making a success of good practices and exploring new approaches.

Qiao Shi said: Ours is a big ruling party with tens of millions of party members. The contingent of party workers is good and is reliable, and it can accomplish something. Party organizations at various levels should adequately recognize achievements, show understanding and sympathy for difficulties, and create conditions for doing an even better job.

Song Ping, head of the Organization Department of the CPC Central Committee, and Wang Renzhi, head of the Propaganda Department of the CPC Central Committee, attended the conference. Zhao Zongnai, deputy head of the Organization Department of the CPC Central Committee, delivered a summation speech at the conference.

#### Rui Xingwen on Ideological, Political Work

HK0301042789 Beijing RENMIN RIBAO

in Chinese 2 Jan 89 p 4

[XINHUA report: "How To Strengthen and Improve Ideological and Political Work in the Course of Improving the Environment and Rectifying Order—Rui Xingwen Answers DANG JIAN [PARTY BUILDING] Reporter's Questions"]

[Text] Beijing, 1 Jan (XINHUA)—What should we do to strengthen and improve ideological and political work in the course of improving the economic environment and rectifying the economic order? Rui Xingwen, member of the Secretariat of the CPC Central Committee, has answered a DANG JIAN reporter's questions on this matter. In issue No. 1 this year, the journal carried the full text of the questions and answers.

Question: The "Circular of the CPC Central Committee on Strengthening and Improving Ideological and Political Work in Enterprises" points out: Strengthening and improving ideological and political work constitutes an important guarantee for the smooth progress of the modernization drive, reform, and opening up. Will you please talk about the relationship between the two words, "strengthening" and "improving."

Answer: Ideological and political work has always been one of the political advantages of our party. Comrade Deng Xiaoping said: Reform and modern science and technology, plus the attention we pay to politics, have greater power. Under the new historical conditions at present, the Chinese people, in line with the party's basic line in the initial stage of socialism and with economic construction as the focus, are upholding the cardinal principles, persisting in reform and opening up, and building socialism with Chinese characteristics. In advancing this magnificent but arduous cause, we must carry forward the party's fine tradition in ideological and political work and use the spiritual pillar of achieving the four modernizations and rejuvenating the Chinese nation to unify the forces of all nations, arouse the labor enthusiasm of all people, carry out reform and innovation, do pioneering work through arduous efforts, and strive to build a prosperous, democratic, civilized, modern, socialist country. The 3d Plenary Session of the 13th CPC Central Committee has defined the guiding principle of improving the economic environment, rectifying the economic order, and deepening the reform in an all-round way, and demanded that the focus of reform and construction this year and next year, be conspicuously placed on improving the economic environment and rectifying the economic order. To fulfill all the arduous tasks in the crucial period of deepening the reform in an all-round way, it is likewise necessary to strengthen ideological and political work, bring into full play our party's political advantage, and seek unity of thinking and action.

To strengthen ideological and political work, it is imperative to improve ideological and political work. Whether in the years of revolutionary wars or in the period of socialist construction, ideological and political work has played an extremely important role. However, there is also no denying the fact that under the influence of the "leftist" guided thinking, especially during the turmoil of the "Cultural Revolution," our ideological and political work has also been subjected to disruption, giving rise to some defects. Following the shift in the focal point of the party's work after the 3d Plenary Session of the 11th CPC Central Committee, some corrections have been made but, taken as a whole, these defects have not been completely removed.

Meanwhile, the phenomena of weakness and laxity and of not daring to set strict demands have also emerged in ideological and political work. In many enterprises, dislocation between ideological and political work on the one hand and production and operations on the other also exists quite extensively. In the past we engaged in the product economy. Now that we engage in the planned commodity economy, great changes have taken place in people's modes of thinking, concepts of value, and criteria of right and wrong. Given the changes in the enterprise leadership structure, staff pattern, and the convergence and influence of different ideas and cultures under the conditions of opening up, combined with the advance of socialist democracy, more political openness, and the modernization of our information dissemination means, it is necessary to conscientiously improve ideological and political work in terms of structure, content, methods, and means if we want it to be effective and have a unifying force and strong appeal.

Question: Some comrades say that the reason we now emphasize strengthening ideological and political work and bring into play the party's political advantages is because we have come across some problems in the reform. What do you think of this view?

Answer: As stated above, ideological and political work has always been our party's political advantage and our party has always had a very good tradition in ideological and political work. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has likewise attached great importance to ideological and political work, and at the 6th Plenary Session of the 12th CPC Central Committee our party approved the "Resolution of the CPC Central Committee on the Guiding Principle for Building Socialist Spiritual Civilization." Ideological and political work has played an important role in ensuring the smooth progress of the modernization drive and reform. The 3d Plenary Session of the 13th CPC Central Committee, which was held some time ago, again approved in principle the "Circular of the CPC Central Committee on Strengthening and Improving Ideological and Political Work in Enterprises." With the implementation of this "circular," ideological and political work will certainly be raised to a new level.

Since conducting reform, opening up, and building socialism with Chinese characteristics represents a magnificent but arduous cause never undertaken by our predecessors, it is even more necessary to have lively, effective ideological and political work to guarantee it. Strengthening ideological and political work is necessary for the smooth progress of construction and reform, the achievement of the four modernizations, and the rejuvenation of the Chinese nation. It is by no means an expedient measure; still less is it "because we have come across some problems in the reform" that we want to grasp ideological and political work. It is a long-term strategic principle of our party.

Question: Some time ago, the press referred to "transforming" ideological and political work and now it uses the term "improving" ideological and political work. Is there any essential difference between the two formulations?

Answer: Since ideological and political work faces new situations, new tasks, and new circumstances, it is necessary to restore some good traditions, discard some bad things, and create some new things so ideological and political work can be genuinely strengthened. In the course of considering how to strengthen ideological and political work, the party Central Committee used the formulation of "transforming" ideological and political work and it also used the words "reforming," "perfecting," "improving," and so on. After soliciting views from various localities and quarters and at the Central Work Conference held last September, the 3d Plenary Session of the 13th CPC Central Committee eventually defined the formulation of "improving" ideological and political work. Whether "transforming," "improving," "reforming," or "perfecting" ideological and political work, all are aimed at strengthening ideological and political work more forcefully and effectively.

Question: How do you assess the past ideological and political work? How do you assess the rank of ideological and political workers?

Answer: I have in fact answered this question.

In the years of revolutionary wars and in the period of socialist construction, ideological and political work has played an important role. The tremendous work carried out, the hard labor undertaken, and the invaluable contributions made by the rank of ideological and political workers in the past and at present have been fully confirmed by the party and the people. The quality of the rank of ideological and political workers is generally good. After the 3d Plenary Session of the 11th CPC Central Committee, following the "four transformations" of the cadre ranks, the rank of ideological and political workers has been replenished with new blood. This is very valuable.

Naturally, if we want ideological and political work to constantly meet the needs of new situations and tasks and make them effective and lively, it is still necessary to improve the quality of ideological and political workers. Cadres engaging in ideological and political work should constantly make explorations and creations in practice, constantly sum up experience, and constantly improve their skills to carry out ideological and political work.

Setting a personal example counts more than giving verbal advice. Comrades devoted to ideological and political work must preserve their original features setting strict demands on themselves and setting personal examples. All they want the masses to do they must first prove themselves capable of doing. All they want the masses to resist they themselves must first resist. People involved in ideological and political work must influence others with their own exemplary acts, bringing the warmth of the party and government to the masses and really becoming the confidants of the masses.

Question: Some people say that now in practicing a commodity economy we rely on materials and money as incentives. Ideological and political work does not count much. Please say something about what you think of this idea.

Answer: The "Resolution of the CPC Central Committee On the Building of Socialist Spiritual Civilization" pointed out: "Socialist spiritual civilization based on Marxism as a guide is an important characteristic of socialist society. In the period of socialism, material civilization provides material conditions and actual experiences for the development of spiritual civilization. Spiritual civilization in turn provides spiritual inspiration and moral support for the development of material civilization, and offers an effective ideological guarantee for its correct development. The building of socialist spiritual civilization is a major issue bearing on the prosperity or decline, the success or failure of socialism." Comrade Deng Xiaoping also said in early 1986: "Such a means as economic construction has been handled by us with quite a bit achieved. The situation is gratifying. This is our country's success. But if there should be a degeneration in style, what would economic success mean to us? There would be a change in another respect. This would in turn affect the economy so that it would change in character. As things develop, corruption, theft, and bribery would dominate the scene." In the process of developing and perfecting the socialist planned commodity economy, we would run into various ideological obstacles and ideological problems. We would also suffer from the intrusion of hackneyed feudalist and capitalist thinking. This requires us to overcome ideological obstacles and resist the influence of hackneyed feudalist and capitalist thinking through highly effective and elaborate ideological and political work in order to guarantee healthy development of the socialist commodity economy.

Now, experiences of many areas and units that have handled ideological and political work well show that the smooth progress of reform and construction must be guaranteed by ideological and political work. The previous idea stressing the principle of spiritual influence with no recognition of people's material interests and treating ideological and political work as all-powerful is of course wrong. The current viewpoint stressing only the role of material interests and treating ideological and political work as something outdated and inconsequential given the development of a commodity economy is all the more wrong. In building socialism with Chinese features, we must, while stressing the role of material interests, place an equal emphasis on spiritual influence and pay simultaneous attention to the handling of material civilization and spiritual civilization.

Question: The "Enterprise Law" says the factory director should assume full responsibility for the handling of the two civilizations in an enterprise. Some comrades worry that this would lead to no distinction between party and government functions. Please say something about your view on this problem.

Answer: Enterprise ideological and political work is an indispensable part of modernized enterprise management and an important guarantee for the realization of an enterprise's various tasks. As representative of the enterprise legal entity, the factory director must of course combine economic work with work on people. If attention is paid only to production and management without providing ideological education and training in skills for workers to improve their quality in the ideological-political and professional fields and without concentrating the strength of all enterprise workers, we could hardly compete in the world of fierce competition and bring about enterprise progress.

Therefore, a factory director must assume full responsibility for production and management and ideological and political work. This approach is compatible with the new enterprise leadership system and meets the demand for ideological and political work as an important part of the whole enterprise management effort. It provides an organizational and system-related guarantee for changing the situation in which ideological-political work and the matter of production and management have been treated as "two different things."

This practice does not mean making no distinction between party and government functions, and still less does it mean replacing the party with the government. According to amendments to some articles in the party Constitution adopted at the 13th national party congress and the stipulations in the central notification on implementation of the "Enterprise Law," an enterprise is not an organization of power. The role of an enterprise party organization is different from the role of political leadership assumed by the central or local party committee. An enterprise party organization no longer exercises unified leadership over the given unit and should instead

play the role of a guarantor or supervisor. It should concentrate its efforts on strengthening the party's self-construction and giving full play to the role of the party organization as a fighting force and the advanced exemplary role of party members. In any area or unit, the enterprise party organization as the party's basic-level organization must lead the masses of party members in energetically preaching the party's general and specific policies and its proposals, unite the masses, properly handle ideological work among the masses, and support the factory director in fully exercising his functions according to the "Enterprise Law." The factory director assumes full responsibility for the building of the two civilizations in an enterprise. The enterprise party organization "guarantees and supervises the thorough implementation of the general and specific policies of the party and state in the enterprise." The general objectives of the two are synonymous. Their duties are inseparable. Experiences of some areas and enterprises show that the results of doing so can better allow the promotion of the building of the two civilizations in an enterprise.

Question: To enable a factory director to assume full responsibility for the building of the two civilizations in an enterprise, what are the concepts a factory director should foster and the qualities he should acquire?

Answer: The "Enterprise Law" clearly states that the factory director is the legal representative of the enterprise. He is placed in a central position in the enterprise. He assumes full responsibility for the material civilization and spiritual civilization in an enterprise. Therefore, apart from being necessarily acquainted with matters of production and management in an enterprise and market conditions, the factory director must at the same time learn how to work on people. He must show respect, concern, and care for people and do ideological work about people. He must know how to rely upon the strength of the party organization and respect and give full play to the role of the trade union, the workers' congress, the CYL organization, the women's federation, and other mass organizations. He must foster the spirit of the enterprise, concentrate enterprise strength, promote enterprise progress and improve enterprise results, guided by these as "four requirements." He must enable enterprise ideological and political work to really become an important part of the effort to modernize enterprise management. Like all other comrades involved in ideological and political work, factory directors must show a high sense of responsibility and political passion; strive to raise their own caliber and increase their ability to use Marxism to explain and solve actual problems; and learn to apply new knowledge of sociology, psychology, the science of behavior, the modern science of management, and so forth to enrich and continuously improve our ideological and political work.

**Rui Xingwen on Political Work Under Reform**  
OW3012172988 Beijing Television Service in Mandarin  
1400 GMT 25 Dec 88

[From the "Night News" program]

[Text] Rui Xingwen, member of the Secretariat of the CPC Central Committee, addressed the commencement of the first class graduates of the Political Correspondence Academy of the Chinese Textile Industry.

He described the main tasks of political and ideological work in enterprises as to strengthen the education on the current situation, enhance the cohesive powers of the party and the government to unite the people, help workers and staff members to correctly assess the achievements and situation in the reform, adopt a positive approach toward problems and difficulties cropping up in the reform, and build up confidence in the reform.

Founded in January 1985, the academy aims to raise the theoretical and ideological attainment and managerial skills of party and government managerial cadres through on-the-job training.

Nearly 7,000 first class graduates were conferred a college diploma after completing all academic requirements in 4 years.

**Tian Jiyun Stresses Coastal Development**  
HK0201081489 Beijing XINHUA Hong Kong  
Service in Chinese 0257 GMT 1 Jan 89

["Tian Jiyun on the Relationship Between Improving the Economic Environment and the Coastal Development Strategy"—XINHUA headline]

[Text] Beijing, 1 Jan (XINHUA)—Tian Jiyun, vice premier of the State Council, has said that an important purpose of China's effort to improve the economic environment and rectify the economic order is to create a better environment for implementing the coastal economic development strategy and for opening to the outside world. This will only be favorable to the implementation of this development strategy and the relevant policies.

He said: At present, China is facing the problem of gross social demand outstripping gross social supply and is encountering the problem of inflation in the course of reform and development. In the process of developing foreign economic cooperation, there is also a problem in adjusting the value of the renminbi. The value of the renminbi must be guaranteed by materials. If the domestic economic conditions are strained and disorderly, this will not be favorable to the economic cooperation with foreign companies. On the contrary, through cutting down on excessive construction, controlling the unreasonably swelling consumption, maintaining the relative stability of prices, making adjustments in a steady and planned way, and establishing a new order of the socialist commodity economy, we will be able to create more favorable conditions for developing foreign economic cooperation and raising the degree of opening up.

Tian Jiyun said this in an exclusive interview granted to the editor-in-chief of RENMIN HUABAO [PEOPLE'S PICTORIAL]. The full text of the interview is carried in the first issue of this pictorial in 1989.

Tian Jiyun said: In the 10 years of reform and opening up, huge changes have occurred in China. The national economy has continued to develop steadily, and food and clothing for China's 1 billion people have been basically guaranteed. Although prices have risen by a rather large margin, the people's living standards in general have been obviously raised compared to the previous conditions. The tremendous changes occurring throughout the 9.6 million square kilometers of land have been inseparable from the implementation of the reform and opening up policy. There is no question of whether the reform and opening up are necessary or not. They are a must.

In August 1980, China set up four special economic zones in Shenzhen, Zhuhai, Shantou, and Xiamen, thus taking the first step in the orientation of all-round opening up. At present, there are 14 open coastal cities, including Shanghai, Tianjin, Guangzhou, and Fuzhou; and three open coastal economic zones, namely, the Changjiang Delta, the Zhujiang Delta, and the Xiamen-Zhangzhou-Quanzhou triangle in southern Fujian. In addition, 140 coastal cities and counties, including those on the Liaodong Peninsula and the Shandong Peninsula, have been included in open coastal development zones; and there is a large special economic zone on Hainan Island. Thus, a coastal forefront for opening up, including 291 cities and counties with a total area of 320,000 square kilometers and a total population of more than 200 million people, has been formed. In the whole country, there is a multitiered opening up pattern composed of "special economic zones, open cities, open coastal economic zones, and the interior areas."

Finally, Vice Premier Tian Jiyun reiterated that although China will slow down economic growth in the next 2 years, it will continue to maintain the opening up policy, which is one of China's basic national policies and will not be changed.

**Tian Jiyun at Jiusan Society Congress Opening**  
*OW0101092389 Beijing Domestic Service*  
*in Mandarin 1030 GMT 31 Dec 88*

[From the "National Hookup" program]

[Text] The Fifth National Congress of the Jiusan Society opened at the Great Hall of the People on the morning of 31 December. Tian Jiyun, Yan Mingfu, Xi Zhongxun, Huang Zhen, Song Jian, and Yang Jingren, as well as officials of fraternal parties and people's organizations, attended the opening ceremony and extended warm congratulations on the opening of the congress. Yan Jici, executive chairman of the presidium of the congress, officiated at the opening ceremony.

Zhou Peiyuan, another executive chairman, delivered the opening speech. He said: The main tasks of the congress are to summarize work, revise the society's constitution, and elect a new central leading body.

Yan Mingfu, member of the Secretariat of the CPC Central Committee, read a message of greetings from the CPC Central Committee. The message said: Since its inception, the Jiusan Society inherited the May 4th Movement's anti-imperialist, patriotic, democratic, and scientific tradition. Fighting shoulder to shoulder and sharing weal and woe with the CPC, the Jiusan Society is a close fraternal party of the CPC and a major political force in China's revolution and construction.

The message added: The CPC wants to work together with all democratic parties and continuously strengthen unity and close cooperation with them so as to bring into better play the role of the patriotic united front. Among the members of the Jiusan Society are many experts, scholars, and top-notch personnel in the scientific, technological, and educational fields. It is hoped that the Jiusan Society will continue to encourage its members as well as intellectuals associated with the society to further promote China's scientific, technological, and educational undertakings and its socialist modernization.

Before the opening ceremony, Zhou Peiyuan read a letter from Xu Deheng, the 99-year-old honorary chairman of the society, to the congress expressing the hope that the society will, under the CPC's leadership, give play to the society's role and make its share of contributions to rejuvenating the Chinese nation and achieving the four modernizations.

Lu Jiayi, chairman of the Chinese Peasants and Workers Democratic Party, extended a message of greetings to the congress on behalf of all democratic parties and the All-China Federation of Industry and Commerce.

Entrusted by the Seventh Central Committee of the Jiusan Society, Sun Chengpei, executive chairman of the presidium of the congress, presented a work report.

**Yao Yilin Wants No Special Favors for Family**  
*OW3012153688 Beijing XINHUA in English*  
*1040 GMT 30 Dec 88*

[Text] Beijing, December 30 (XINHUA)—Today's GUANGMING DAILY published a letter from Vice-Premier Yao Yilin to the governor of Jiangxi Province ordering that no special favors were to be given to Yao's relatives in Jiangxi.

The letter was in response to an anonymous complaint which alleged that a local official had asked the work unit of Yao's distant niece to give her a flat when the unit assigned new houses to their staff members.

The letter containing the accusation was forwarded to Yao by the General Office of the State Council and the Central Committee of the Communist Party of China (CPC).

In his letter to the governor, Vice-Premier Yao, who is also a member the Standing Committee of the CPC Political Bureau, said that his niece had visited his house twice when she came to Beijing, but never mentioned the housing problem and was not introduced to any leading officials in her hometown.

In his letter, the vice-premier instructed government officials in Jiangxi not to grant any privileges to his relatives in connection with either job assignments or daily life, the paper reported.

### Past Ten Years of Reform Evaluated

HK3012092788 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 0743 GMT 23 Dec 88

[Article by Shi Fu (4258 1133): "The 10-year Reform Assessed as 70 Percent Achievements and 30 Percent Mistakes"]

[Text] Hong Kong, 23 Dec (ZHONGGUO TONGXUN SHE)—A total of 10 years has elapsed since the 3rd Plenary Session of the 11th CPC Central Committee. Over the past 10 years, the development of the Chinese mainland, as well as the achievements and mistakes made by the CPC, have been obvious to all.

Since the CPC has the habit of using the formula of "70 percent achievements and 30 percent mistakes," I have hereby entitled my article as "10-year Reform Assessed As 70 Percent Achievements and 30 Percent Mistakes." In this article, I have listed 10 major achievements and three major mistakes made by the CPC in the last 10 years.

The following are the major achievements and mistakes made by the CPC in the last 10 years:

As far as CPC achievements in the last 10 years are concerned, the first is that the CPC has negated the erroneous line of "grasping the class struggle as the key link" and implemented a pragmatic line stressing economic development. The second is that the CPC has brought order out of chaos and examined and redressed a number of major unjust, false, and wrong cases created in the "Cultural Revolution" and in various other political movements in history. As a result, millions of intellectuals, cadres, and masses have freed themselves from political persecution. The third is that the CPC has instituted agricultural reform; abrogated the ownership by "people's commune," which is characterized by "eating from the big pot of the state"; and enforced the contracted responsibility system based on the household. The fourth is that the CPC has implemented the policy of opening up to the outside world, established special economic zones, and opened up a number of coastal cities to the outside world. The fifth is that the CPC has encouraged the development of diverse economic factors (including private economy and foreign capital) so as to have greatly invigorated the commodity economy. The

sixth is that the CPC has sought to correctly handle the relations between the Chinese mainland on the one hand and Hong Kong, Macao, and Taiwan on the other, has satisfactorily settled the question of recovering Hong Kong and Macao, and has substantially improved the relations between the two shores of the Taiwan Strait. The seventh is that the CPC has implemented an all-direction diplomacy. As a result, China has improved her relations with the eastern, western, southern, and northern countries in the world.

As far as the mistakes made by the CPC in the last 10 years are concerned, the first is that the CPC has failed to thoroughly carry out the party rectification and the rectification of incorrect styles of work. It can be said that the party rectification and the rectification of incorrect styles of work have only been carried out in a rather perfunctory manner. As a result, such corrupt phenomena as embezzlement, bribery, and seeking private gains by abusing power have become increasingly more serious on the Chinese mainland. The second is that the reform of the political structure on the Chinese mainland has progressed at a snail's pace. The Chinese mainland has been lacking in democratic atmosphere. In particular, a number of anti-bourgeois campaigns, such as the one devoted to "clearing away spiritual pollution," have dealt a heavy blow at the radical democrats demanding greater democracy. The third is that over the past few years, the CPC has obviously lost control over the economic development of the Chinese mainland, which has been manifested in the over-heated industrial development, the over-cooled agricultural development, the excessive investment in the building of auditoriums, luxurious hotels, high-standard office buildings, and guesthouses, the excessive investment in capital construction, the insufficient investment in agriculture, the stagnant agricultural production, the long drawn-out outstripping of total social supply by total social demand, and the soaring prices on the Chinese mainland.

### Commentary Reviews 1988, Looks at Year To Come

HK0301092089 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 0918 GMT 30 Dec 88

[["Short" commentary by Shi Fu (4258 1133): "Reviewing the Situation on the Mainland at the Beginning of the New Year"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 30 Dec (ZHONGGUO TONGXUN SHE)—In 1988, China's political situation remained stable; China's economy continued to grow; and China's foreign relations were good. Relations between the two sides of the Strait were also relaxed. However, frequent natural disasters and policy mistakes caused some shocks to the mainland.

As for natural disasters, floods and droughts occurred frequently in vast areas and caused a decrease in grain output. Agricultural production was stagnant for 4 consecutive years. Some disaster-stricken areas are facing the threats of a food grain shortage. In addition, the serious earthquake in Yunnan Province afflicted 5 million people, caused nearly 5,000 casualties, and resulted in more than 1.4 billion yuan in direct economic losses.

As for policy mistakes, economic growth was out of control, with industrial growth overheated and agriculture stagnant. There was a shortage of materials; inflation appeared; prices rose sharply; and the living standards of the masses obviously declined. On the other hand, owing to poor management, the economic results achieved by the enterprises in general were unsatisfactory. Production could not be increased to ensure adequate supply and to meet demand. Moreover, traffic accidents occurred frequently. Such serious accidents as train explosions, collisions, and derailments, and plane crashes occurred one after another, causing heavy casualties.

In addition, riots in Lhasa and successive student demonstrations in Beijing, Guiyang, and Nanjing in recent weeks also demonstrated some unstable factors.

In late September, the 13th CPC Central Committee held its third plenary session and put forward the principle of "improving the economic environment and rectifying the economic order." The authorities then began to check "official profiteering," cut down on capital construction projects, curb inflation, increase agricultural investments, and reduce financial expenditures. These measures have achieved initial results in the past 3 months. The present conditions in various fields show that the deficiencies in 1988 will be overcome in the new year.

In the new year, Sino-Soviet relations will be substantially improved with the holding of the summit meeting, and Sino-U.S. relations are also expected to further develop. Contacts between the two sides of the strait will become closer, and cooperation between the mainland and Hong Kong and Macao will also become closer. Prices on the mainland will remain at a high level, but will not continue to rise sharply. The masses will face some difficulties in their daily lives, but no large-scale famine will occur. The economic growth will somewhat slow down, but the economy will be further consolidated. The relationship between industry and agriculture will be better coordinated. The contradiction between supply and demand will be mitigated.

Two things now remain uncertain: First, we do not know whether the campaign of economic "improvement" and "rectification" will achieve the expected results or will just be handled perfunctorily like the "party rectification" campaign. Second, we do not know the weather conditions for the coming year. China's food production is now still at the mercy of the weather to a rather large

extent. At present, winter drought exists in many localities and has seriously affected the growth of winter crops (wheat and rape); and many cities are also seriously short of water. If natural disasters in the new year still occur frequently or more seriously, China's economic development will face greater difficulties. If agricultural harvests continue to be poor, the consequences will be too serious to be imagined.

### Yang Shangkun Issues Decrees 29 Dec

#### Amendment to Land Use Law

OW3112021888 Beijing XINHUA Domestic Service  
in Chinese 1225 GMT 30 Dec 88

["Local Broadcast News Service"]

[Text] Beijing, 30 Dec (XINHUA)—President Yang Shangkun issued Presidential Decree No 12 on 29 December 1988 to promulgate the "Decision of the NPC Standing Committee Concerning the Amendment of the Land Use Law of the People's Republic of China" adopted at the Fifth Meeting of the Seventh NPC Standing Committee.

According to the amended Land Use Law, the land use rights for land owned by the state and collectives can be transferred in accordance with the law. Based on this law, the state will implement a system whereby state-owned land may be used in return for payment. The specific measures regarding this will be prescribed separately by the State Council.

The amended Land Use Law also stipulates that no unit or individual will be permitted to occupy, buy or sell, or use any other methods to illegally transfer land. In addition to having to forfeit their illegal income, violators will either be required to demolish within a given period or forfeit all newly constructed buildings and other facilities on land that has been illegally transferred. Parties concerned will be subject to fines, and disciplinary actions will be taken against personnel of competent departments by the relevant higher authorities.

#### Standardization Law Announced

OW3112012188 Beijing XINHUA Domestic Service  
in Mandarin 1223 GMT 30 Dec 88

["Local Broadcast News Service"]

[Text] Beijing, 30 Dec (XINHUA)—Yang Shangkun, president of the People's Republic of China, signed a presidential decree on 29 December 1988 formally announcing the "Standardization Law of the People's Republic of China." This law will come into effect on 1 April 1989.

"The Standardization Law of the People's Republic of China" is divided into five chapters clearly defining the scope and methods of standardization. It also defines how to implement standards and the legal responsibilities entailed.

**Scholars Debate Interest in 'Nude Art Fad'**  
*OW2812012388 Beijing XINHUA in English*  
*1556 GMT 27 Dec 88*

[Text] Beijing, December 27 (XINHUA)—An exhibition of oil paintings featuring nudes has drawn up to 11,000 viewers every day since it opened at the China art gallery here last Thursday.

This unprecedented interest has also attracted the attention of scholars. Today 50 scholars invited by the Central Academy of Fine Arts, the organizer of the exhibition, and photographic and literary gazettes gathered here to air their views on nude art.

Ge Pengren, an associate professor of the academy, said that the "nude art fad" indicates an awakening of interest in art among the masses.

Shao Dazhen, editor-in-chief of "FINE ARTS" magazine, said: "In China the popularization of classic art forms are necessary and the nude art exhibition is one missed lesson that we are making up."

Poet Shao Yanxiang thought that to popularize art education and enhance ordinary citizens' art appreciation is a long and hard task. He hoped that nude art would emerge as a means of expressing the human spirit and pursuits.

Zhu Naizheng, vice-president of the academy, said the unexpected popularity of nude art indicates that the Chinese people have begun to attach importance to human values and stress human self-consciousness.

Columnist Dai Qing said artists should depict human beings, the superior creation of nature, with the most candid attitude and purest souls.

Some scholars compared the different approaches to representing the human body between the East and the West. They held that the present exhibition demonstrates the great influence of Western values, especially attitudes toward man, upon modern China.

**TA KUNG PAO Interviews Hu Yaobang's Son**  
*HK3012110988 Hong Kong TA KUNG PAO*  
*in Chinese 25 Dec 88 pp 1-2*

[Special interview by reporter Hsien Tsiechen (0405 3381 6297): "Hu Yaobang's Eldest Son, Who Is Visiting Hong Kong, Talks About Reunification of China, Citing the Story of Chu King Losing His Bow"]

[Text] Hu Deping, director of the Fifth Bureau of the United Front Work Department and the eldest son of former General Secretary of CPC Central Committee Hu

Yaobang, believed that to achieve the unification of China, it is necessary to look to the interests of all sides concerned as a whole, leaving the interests of any single party out of consideration. In line with kindred feelings and ties of compatriots, he expressed hope that the unification of China will be achieved as soon as possible, so that every member of the Chinese nation will share dignity, sense of security, and seek ideal life feeling at ease and justified.

In his capacity as advisor of the General Office of the China Association for Promotion of International Friendship, Hu Deping is heading a visiting Beijing Industrial and Commercial Observation Group. Hu granted an interview to this reporter at the hotel where he was staying yesterday.

**He Recited the Story of Chu King Losing His Bow**

When talking about the unification of China, Hu Deping, who had been at Beijing University majoring in history, cited the story of "Chu King Losing His Bow" contained in Kongzi [Confucius] Jia Yu. He recited a relevant paragraph of the original, and then explained it. The story is as follows: Chu King lost his bow when he was out for a tour. His attendants asked him for advice on how to recover the bow. He prevented them, saying, "The one who lost the bow is a Chu national, and the one who will pick up the bow is also a Chu national." Hu Deping said, this story indicated that Chu King regarded anything in Chu as common property, and it did not matter who owned it. But what is more significant, he felt, is the notes Confucius made to the story: "It is a thousand pities that his ambition was not great enough. Since someone lost the bow and someone was to find it, why did he make it a point that the bow should come into the possession of his subjects to the exclusion of aliens?" Hu Deping said, Confucius' position of regarding the property in Chu, Qin, or other kingdoms as common property for all is exactly the principle of unifying China to his mind.

In his view, both sides of the Taiwan Strait and Hong Kong are integral parts of China, and it is necessary to regard the interests of all sides as a whole and calculate them using the same abacus. If all sides across the country do a good job in thrashing out the accounts, we will attain unification.

**He Expressed Sincere Hope That Both Sides of the Strait Will Unite as Soon as Possible**

A nationalist, Hu Deping said it makes him upset, and prompts him to think of the destiny of Jews prior to World War II, when he finds that a part of China is not entitled to human rights approved worldwide, and its position is not recognized by the international community.

Hu Deping has not been to Taiwan, but he said, whenever he sees a Taiwanese film, he experiences kindred feelings and compatriot ties. He sincerely wished that the unification of China will be realized as soon as possible.

Hu Deping believed, the most important problem at present is to unify the country politically, economically, and territorially, and the formula for unification is open to discussion. He said, the leaders of two sides should be responsible for every member of their people. He urged the two governments to make contacts first. He said, the two sides can prove their sincerity only when they are willing to sit at the conference table, and the unification can only be achieved through sincere negotiation. People can enjoy dignity and a sense of security only when the unification is realized.

#### **On the Problem of Confidence in Hong Kong**

Regarding Hong Kong, he said, he found, in the present visit to Hong Kong, that Hong Kong people give first priority to making money and meeting the requirements for food, clothing, shelter, and transportation. They are realistic and objective, and do not indulge in empty propaganda. He deeply admires Hong Kong people for their diligence and efficiency.

He also found out that people in Hong Kong are divided over the political system in the future, and nervous about their future. He wished that as time goes by and the 1997 is drawing near, the government and people in the mainland will bring to Hong Kong people sense of security and dignity. He wished that the mainland government will implement the idea of "one country, two systems," and will not impose the concepts, ideas, and system practised in the mainland on Hong Kong.

Some have referred to Hong Kong as a diamond in the crown of Queen of the United Kingdom. He expressed hope that Hong Kong will become a precious stone of the Divine Land [a poetic name for China], shedding brilliant rays.

The topic of conversation was then shifted to his father, Hu Yaobang, former General Secretary of CPC Central Committee.

"I respect my father," said Hu Deping in an affirmative tone.

"In assessing historical figures, those who cherish high ambitions do not mind whether there is an iota of impartiality in the historical balance, and they only care about whether they go with the tide of historical development."

Hu Deping believed that his father has conformed to the historical trend of reform and opening up to the outside world. Hence, he emphasized once and again that he holds in high esteem his father, who joined the revolution at 14 when the society was far from ideal, and is now 73.

#### **Hu Yaobang Has Many Children and Grandchildren, and Lives a Wonderful Life**

He said Hu Yaobang lives safe and sound. Those who care for him may set their minds at ease.

He added, his father has now a total of 13 descendants of the second and third generations, including sons, daughters, and grandchildren. There will be more later when those unmarried get married and give birth to children. His father is very satisfied with a family of so many children.

As for the drive to combat liberalisation, Hu Deping said, since the press no longer make mention of it, he will not make any comment.

Hu Deping, who is now 44, was appointed deputy director of China Historical Museum, chairman of the Research Society on Cao Xueqin, and member of the editorial board of the journal YOUTH FORUM. Currently he is director of the Fifth Bureau of the United Front Work Department.

He said, he is now mainly responsible for building economic connections, rendering service for Hong Kong, Macao, and Taiwan businessmen who make investments in the mainland. He is in charge of establishing contacts between or linking up parties concerned, and paving the way for investors. He also deals with and reports to the higher level complaints from investors.

He came to Hong Kong for a visit at the invitation of Hong Kong Enterprise Management Development Center. Other members of the 6-member delegation include research fellows of the China Society and Development Research Center Sun Nan and Hua Yi, woman members of the All-China Industrial and Commercial Federation Qin Xiulan and Ma Xiaoli, and member of the liaison department of the All-China Industrial and Commercial Federation Xu Gang. During their stay in Hong Kong, they have visited factories in Kun Tong, several chambers of commerce, the Exchange Square, the Hong Kong Trade Development Council, and the ICAC [Independent Commission Against Corruption].

#### **The ICAC Impressed Him Deeply**

Hu Deping was especially impressed by the ICAC, and considered it effective in solving problems brought about by the general mood of society. The observation group originally intended to visit the Consumer Council, but

failed to do so due to the delay caused by visa procedures. Hu Deping regretted this. The observation group has completed their mission and will leave for Beijing in a few days.

**Oil Tankers Explode, Burn on Changjiang**  
*HK0301130889 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0512 GMT 3 Jan 89*

[Text] Wuhan, 3 Jan (ZHONGGUO XINWEN SHE)—In the early morning hours of 2 January, at 0115 local time, an explosion and a fire, an accident rarely seen, occurred on two oil tankers on the Changjiang, about 81 kilometers from Wuhan City. At least seven people were injured in the accident.

According to the Fire Services Department in Wuhan City, the two old tankers on which the explosion and fire occurred were two oil carriers being pulled by Tug 62008 of the Nanjing Changjiang Oil Transportation Company. On 28 December 1988, the oil carrier flotilla started from the Yizheng Oil Station in Jiangsu Province and carried about 3,000 tons of crude oil to the Changling Oil Refinery, in Hunan Province. When the tug boat sailed to Xintankou, at 0115 on 2 January, a fire and explosion suddenly occurred on Tanker 63023 and Tanker 63040, and the two tankers were then disconnected from the chain of the tug boat and Tanker 63103, which were not damaged by the accident.

The police and fire services departments in Wuhan City immediately sent rescue teams to the scene of the accident. The rescue personnel saw thick smoke rising into the sky and shrouding the whole river surface when they arrived. The firemen rode on a motor boat, went aboard the burning Tanker 63040, and fought bravely against the fire. At about 0900, another explosion that injured at least seven people erupted in the stern.

Because the fire was so fierce, the water cannon could not reach the center of the fire. The extinguishing material used was not sufficiently effective in coping with burning oil, so the fire was not brought under control successfully. In order to prevent pollution on the river surface, the department concerned has dispatched five ships and more than 40 people to eliminate the drifting oil. PLA units also dispatched planes to deliver some floats from Nanjing to control the spread of oil at 1500 yesterday afternoon. By early this morning the fire was still burning. The cause of the explosion and fire is still unclear.

**Trends of Peace, Development in World Situation**  
*OW0301091089 Beijing XINHUA in English  
0848 GMT 3 Jan 89*

[Text] Beijing, January 3 (XINHUA)—The present world situation is featured by peace and development instead of war and revolution, said a signed article in today's "LIBERATION ARMY DAILY."

The text of the article, by Zhang Yining, was delivered at a symposium held last December to mark the 10th anniversary of the Third Plenary Session of the 11th Central Committee of the Communist Party of China, a meeting that ushered in China's current reform.

The article said that since that historic meeting the Chinese Communist Party has formed new views on the present world situation, which is a further development of the traditional Marxist theory on war and peace.

According to the article, the new views are as follows:

—The development of world history has moved from war and revolution to peace and development, and peace and development are the main trends in the present world.

—Wars or threats of war today reflect conflicts between interests of different nations rather than conflicts between classes, and national security has become the focus of the question of war and peace.

—Though imperialism still exists, hegemonism, which is the main cause of war, poses a more serious problem in the world today.

—The old theory that "war is a continuation of politics by other means" has been challenged. In present-day political struggle war should not be an ideal choice, but it still has a political nature.

—A new world war is no longer deemed to be inevitable, but the danger of war still exists.

"We have every reason to discard the old mentality of 'preparing against an imminent, worldwide nuclear war' and adapt our national defense to a peacetime period of construction focusing on modernization," the article said.

"However, to safeguard peace and development, we also have every reason to reinforce our national defense to deal with any possible war or regional armed conflict imposed on us by hegemonists," it said.

**National Defense Industry Commission Activities**

**Television Series Distributed**  
*OW2812183288 Beijing XINHUA in English  
1510 GMT 28 Dec 88*

[Text] Beijing, December 28 (XINHUA)—Cassettes of a television series, "The Motherland Never Forgets," began to be distributed nationwide today.

The series deals with the development of China's defense industry.

The documentary is in four parts and was produced by the National Defense Commission of Science, Technology and Industry. It shows for the first time the Lop Nor nuclear weapons testing base in northwest China, the Jiuquan satellite launching center in Gansu Province and the Xian spaceflight survey and control center. It reveals the untold story about the development of China's nuclear weapons and carrier rockets.

A number of touching stories about the pioneers who dedicated their youth and even lives to the course of China's defense technology are also told for the first time.

At the same time, a book titled, "Our Situation and Tasks" was also introduced at the ceremony for distribution among Chinese readers.

The book, written jointly by the Chinese Academy of Social Sciences, and relevant ministries and institutes, introduces the economic and political situations and tasks that the Chinese people are facing in the current reforms.

"We have made great achievements in the 10-year reforms, but not everyone acknowledges these achievements. Some even doubt the success of reforms," Wang Renzhi, head of the Propaganda Department of the Communist Party Central Committee said at today's ceremony for the series and the book.

In this situation, he said, "we need more works like 'The Motherland Never Forgets' and 'Our Situation and Tasks' to enhance the people's confidence."

#### Official Notes Progress in Technology

OW3012193588 Beijing XINHUA in English  
1638 GMT 30 Dec 88

[Text] Beijing December 30 (XINHUA)—China has made great progress in national defense technology this year, a senior official from the Commission of Science, Technology and Industry for National Defense told XINHUA today.

According to him, by the end of November, the total output value of the nuclear, armaments, aviation and space industries had been overfulfilled by 18.3 percent, a 19.12 percent jump over the same period last year.

The output value of civilian products exceeded that of military ones, the official added.

"This year, China's national defense scientific experiment projects achieved outstanding results," the official said.

He gave some examples, such as the launching of a telecommunications satellite March 8, a return satellite August 5 and an experimental meteorological satellite September 7.

Also, the telecommunications satellite launched December 22, showed that China's quota this year for large scientific and technological research projects has been fulfilled, the official said.

**Shenzhen University Builds First Nuclear Reactor**  
HK0301030989 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1411 GMT 31 Dec 88

["South China's First Nuclear Reactor Built in Shenzhen"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 31 Dec (ZHONGGUO TONGXUN SHE)—Recently, Shenzhen University built a small-scale nuclear reactor for commercial use. This indicates that the first nuclear reactor has appeared in south China.

This minireactor was jointly built by the Chinese Academy of Nuclear Science and Shenzhen University. The reactor will not only be used for teaching and research in nuclear science and produce a quantity of radioisotope, but will also be used for training technical personnel for the Daya Bay Nuclear Power Plant.

The reactor has been put into trial operation and has reached the critical state.

This type of minireactor with a diameter of less than 1 meter was designed and developed by the Chinese Academy of Nuclear Science. It is safe and reliable, easy to install and operate, and cheap. It is particularly suited for teaching and training purposes. Four years ago, this reactor passed the test of the state authorities, and has been installed in Shandong and Shanghai. Some foreign companies, including a Canadian company, are negotiating on the purchase of this type of reactor.

**Gao Shangquan on Economic Readjustment Objectives**  
OW0201033589 Beijing XINHUA in English  
0252 GMT 2 Jan 89

[Text] Beijing, January 2 (XINHUA)—The readjustment of China's economy this year and next year will focus on improving the country's basic economic structure and raising productivity, while at the same time cutting down on excess total production in order to check overheated development.

The key characteristics of the readjustment were outlined by Gao Shangquan, vice minister of the State Commission for Restructuring Economy, in a recent exclusive XINHUA interview.

There have [been] several major economic readjustments since the founding of New China in 1949. During the early 1960s, the Communist Party and the government adopted the policy of "readjustment, consolidation, filling-out and improvement" to tackle the serious economic difficulties that arose after three successive years of natural disasters.

In 1979, the party and government adopted the policy of "readjustment, reform, rectification and improvement" in a bid to correct a tendency towards moving too quickly in developing the national economy.

In early 1986, the policy of "consolidation, digestion, supplementing and improvement" was introduced to once again check the tendency of over-heated economic development.

And three months ago, the Third Plenum of the 13th CPC Central Committee decided to improve the economic environment, straighten out the economic order and deepen the country's all-round reform. "This is in essence another readjustment of the national economy," the vice minister said.

However, the vice minister stated, the previous two readjustments placed primary emphasis only on cutting down the total economic output, without making much efforts to readjust the country's basic economic structure, resulting in a cycle of what he termed "swelling-cutting down-reswelling".

Gao Shangquan stressed that to attain the goal of leveling off China's up-and-down economic cycle it is imperative to adopt what he called a "tilted industrial development policy"—that is, to accelerate the development of some industries while slowing down others and even closing down or merging unsuccessful enterprises.

He explained that industries and enterprises with an obvious potential for development should be given support in credit, energy and raw materials, while clearly unproductive industries and enterprises should receive little or no support.

"It is improper to invigorate all enterprises," he said.

For example, he said, the country now has more than 3,000 cable-making plants which vie for raw materials in the marketplace, and the excessive number of companies competing for a limited amount of raw materials inevitably raises prices.

"Only by throttling some enterprises can other enterprises be actually invigorated," he stated. In this sense, Gao said, "the current readjustment is an excellent opportunity for improving the economic structure and raising economic results."

Economic readjustment is in essence to readjust the distribution of available materials in the national rather than purely local interest, he said. This requires that local departments should always keep the interest of the country as a whole in mind when dealing with other regions.

"No one is allowed to disturb the full implementation of the nationwide readjustment on the pretext of protecting the interests of the localities," he stressed.

The current and forthcoming economic readjustment will be implemented mainly through legal and financial measures, although some unavoidable administrative measures are also necessary to the process of developing the country's planned commodity economy, he said.

However, the vice minister added, the role played by purely administrative measures will be gradually reduced as legal and economic supervision systems are refined and improved.

**Economic Speeches From 28 Oct Forum Summarized**  
*OW2712003088 Beijing QIUSHI in Chinese*  
*No 11, 1 Dec 88 pp 16-21*

["Summary" of speeches at a forum jointly sponsored by "QIUSHI," the Central Television Station, and "ZHONGGUO SHEHUI KEXUE ZAZHI" (CHINESE SOCIAL SCIENCE JOURNAL) on 28 October 1988: "Improve the Economic Environment, Rectify Economic Order, and Comprehensively Deepen Reform"]

**[Text] Do Our Best To Achieve Our Goal**

Wu Jinglian (0702 2417 8834), researcher of the Economic, Technological, and Social Development Research Center under the State Council:

I would like to offer my views on how to fulfill the three tasks of improving the economic environment, rectifying the economic order, and comprehensively deepening reform as follows.

1. The progressive general commodity price increase seen since early this year is a result of the accumulation of excessive money supply in the past 4 years. The failure of financial departments to control total money supply directly leads to an excess over a long period. In addition, there are other underlying causes, such as poor economic structure, defects existing in the systems resulting in poor economic structure, and so forth. We have done a good deal and achieved considerable success in transforming the old development strategy, improving economic structure, and reforming the old systems to establish new ones over the past 10 years. However, the fact that we are unable to check inflation, currently running rampant at double digits, shows there are still defects and mistakes in our reform work. If we want to take a drastic measure to successfully eliminate the underlying causes of inflation, we must earnestly review our course over the past 10 years, sum up our experiences, plug loopholes in our economic system in particular, and ensure effective macroeconomic regulation and control. It will be difficult to get satisfactory results, I am afraid, if we take near-term countermeasures to deal with the situation as it stands, and adopt the method of "suiting the medicine to the illness," which will attend to trifles to the neglect of essentials.

2. Serious defects existing in the current economic management system have caused obstacles to our efforts to improve the economic environment and rectify economic order. Such obstacles must be eliminated. For example, there is zero growth or even a decrease in the state-owned institutions' investment in fixed assets (excluding the factor of commodity price increases, calculated by the actual quantity of materials in kind [shi wu liang 1395 3670 6852]) in the past year. Under the circumstances, there are two essential conditions for correctly carrying out the central authorities' requirement for reducing demand by investment. First, every department and locality must take the initiative in fulfilling the overall reduction plan. Second, we must make efforts to resolutely carry out the policy of restructuring. Projects beneficial to partial and local interests, but not in the interests of the whole national economy must be resolutely curbed or reduced. Projects beneficial to the national economy must receive our support, even though they are no good for partial and local interests. However, the pattern of distribution of profits and benefits, and the organizational system taking shape under the current overall financial contract responsibility system, are unfavorable for the concerted efforts by the whole nation with one heart to control fixed investment and simultaneously improve the investment structure. If we do not do a good job now, we might not be able to check inflation; we might curb investment in projects which should not be curbed, and fail to curb those which ought to be curbed. Such mistakes will result in a more grotesque structure and a slowdown in production. Therefore, we must properly restructure the existing financial system to regulate the conflicts of interests between localities themselves, and between a part and the whole by means of a regular mechanism.

3. Our foreign trade system encounters similar problems. The measure recently adopted to equalize foreign exchange retention rates in all localities is a correct one. It will play a role in effectively bringing under control "keen competition" for price hikes and panic buying in the domestic market, as well as dumping in the overseas market. However, this is still not enough. We must consider conducting a greater restructuring of the existing foreign trade overall contract responsibility system; otherwise, things will go badly in our efforts to straighten out disorder in the field of circulation.

4. Our efforts to improve the economic environment, rectify economic order, and comprehensively deepen reform are interrelated. They promote each other. We must not think that our present tasks are only improving the economic environment and rectifying economic order and, thus, relegate the task of deepening reform to the distant future. The experiences of some countries have shown that timely implementation of the reform of commodity prices is an effective way to deal with the problem of inflation. The central authorities decided that the focal point of our work in 1989 and 1990 is to improve the economic environment and rectify economic order. However, this does not mean that the

policy of freezing all commodity prices will be adopted to place the prices of products and essential factors under rigid control before the end of the year 1991. When the trend of the expansion of total demand is brought under control, adopting proper measures to gradually promote the reform of commodity prices will only be conducive to improvement of the economic mechanism and further stability of the economy. No contrary results will be produced. For instance, by setting a ceiling on market prices (that is, setting state guiding prices), relaxing our control over the regulatory prices of certain appropriately selected products could be a good way to ease the "double-track system" [shuang gui zhi 7175 6510 0455], while promoting reform without simultaneously causing a serious impact. Any attempt to freeze various kinds of economic relationships will end in failure. It will make us unable to persist in our policy of promoting reform and development on the basis of stability and, as a result, lead to another round of fluctuation and upheaval because the economic mechanism cannot get improvement and economic results cannot be increased.

5. Since it is a gigantic systems project to fulfill these three tasks, we must be profoundly farsighted and have a well-conceived design, as well as proceed with handling problems on hand while making long-term plans, to bring about their systematic realization. In order to succeed in this endeavor, we still need to carry on the helpful discussions conducted during the previous period on the objectives of medium-term reform and how to promote it, to make people have a better understanding and use the rationale acquired from their own and others' experiences to provide work guidance. This is very necessary in reducing people's blindness and enhancing their awareness.

#### **Several Issues Which Need To Be Fully Grasped In Implementing Policies of the Central Authorities**

Hu Ji [5170 1323], deputy chief of the Economic Trends Section of the Economic, Technological, and Social Development Research Center under the State Council:

In order to work successfully to implement the central authorities' guiding policy of improving the economic environment, rectifying economic order, and comprehensively deepening reform, we need to properly grasp the following points:

First, while handling the relationship between construction and reform, we must stabilize the economy to create an economic environment accommodating and facilitating reform. At the present stage, excessively hasty demand on construction will lead to overheated economic growth and the outstripping of total supply by total demand. This, on the one hand, will cause economic construction to expand, due to the interaction of bottleneck industries—the baneful cycle of restrictions; while, on the other hand, it will make things difficult for the implementation of key measures (price reform) during economic reform, because economic growth is overly

extended, resulting in ineffective operating mechanism and chaotic economic order. Therefore, a relatively accommodating economic environment must be maintained in the course of reform. In the past, some comrades looked upon it as a passive policy; they believed that it means man-made slowdown of economic growth and slackening of reform. After the central authorities have reaffirmed the policy of improving the economic environment and stabilizing the economy, we still need to have an active attitude and correct measures to ensure its actual implementation, avoid feeling satisfied after a shallow trial, and prevent recoil.

Second, while carrying out reform and the open policy, we must strengthen macroeconomic regulation and control as well as various basic management work. Because the original directive planning system—upon which our economic activities depend—has been destroyed, because a new market system and mechanism have not been firmly established, and because basic management work in all fields of endeavor has not kept up the pace, our economic operations are out of control, and there is chaos. However, even while two systems exist simultaneously, state regulations and control are not entirely in a state of inertia and powerless. Maintaining that reform means relaxing control, some comrades stressed the so-called "it works as soon as reform is implemented" cliché, and regarded strengthening management as retrogressive. As a matter of fact, relaxing control and management oppose unity. In order to strengthen our regulation, control, and management, we must employ more economic and legal measures in the entire course of reform and the open policy. We must not hastily give up the necessary administrative measures. Moreover, we must strengthen and improve disciplinary measures, as well as ideological work. All trades and professions, institutions, and units must strengthen their respective basic management.

Third, we must persist in the struggle against corruption, while carrying out reform and the open policy. The soil which engenders corruption must be eradicated. Before doing this, we should tenaciously persist in the struggle against corruption. A number of Western countries and developing regions have acquired very good experiences in fighting corruption, and we may draw on their experiences. At the same time, we should inherit and carry forward our intrinsic favorable political situation. We should give full play to the role of supervision by public opinion, dare to deal with those who have higher connections, and never be softhearted in doing so.

Fourth, the fundamental issue lies in comprehensively deepening reform and bringing about the transformation of systems as quickly as possible, to enable the new operating mechanism to effectively give play to its complete functions. The three links of the new economic operating mechanism (state regulations and control, market mechanism, and enterprise mechanism) are an organic whole. Their reform should be carried out in an

coordinated and complementary manner. Rationalization of the price system and the formation of a competitive market are the keys to transformation of systems. It will be hard for us to deepen reform of the enterprise mechanism and the state regulatory and controlling measures and achieve final successes in these endeavors without active promotion of price-market reform. Consequently, the most pressing and rigorous challenge confronting China's economic reform is price-market reform. To carry out this reform, we must solve the problem of double distortions in the price system, (namely, unreasonable comparison of product prices and big difference in the "double-track" prices), transform the mechanism by which prices are decided, and change the situation of decentralized administrative power and the market being carved up into several sectors.

#### The Focal Points Must Be Clear

He Jiacheng [0149 1367 2052], deputy research fellow of the Research Center of the CPC Central Committee for Reform of the Political Structure:

Next year's goal of improving the economic environment and rectifying economic order is to ensure that the increase of commodity prices next year will be notably lower than this year. To achieve this goal, I believe, it is necessary to reduce society's total demand, especially that of the capital construction scale and institutional purchases, the focal point of our current drive to improve the economic environment.

This is because a total demand larger than total supply constitutes the root cause of commodity price increases. Price increases are something everyone notices in daily life. However, not everyone is able to notice when the total demand exceeds the total supply. Inflation resulting from a total demand larger than total supply means more bank notes and fewer commodities. For an individual, an enterprise, or even a locality or department, more money is a good thing. Besides, possession of more money does not necessarily mean fewer commodity supplies in society. The question is that inflation, resulting from a total demand larger than total supply, is bound to be felt in the entire economic life. It may reflect itself in an increase in commodity prices, which is also called open inflation abroad. This is what we have experienced since the reform. It may also reflect itself in commodity shortages and the rationing of commodities, which is called hidden inflation. This was the case before reform. How inflation will reflect itself in economic life is decided by the economic structure of a society, especially the structure of commodity prices. It is decided by the question of who has the power to decide prices, the state or enterprises. Generally speaking, in a situation where there is more money and fewer commodities, inflation will reflect itself in commodity increases if the enterprises hold the primary power of decision on prices; on the other hand, if the state has the primary power of decision on prices, inflation will reflect itself in commodity shortages and in the rationing of commodities.

When the relationship between commodity price increases and a condition in which total demand exceeds total supply is clarified, the relationship between commodity price increases and reform is easier to understand. The above discussion can be summarized in two points. The first point is that, as a result of reform, inflation derived from a total demand larger than total supply reflects itself in commodity price increases, rather than in commodity shortages and rationing. This is because reform has increased the decisionmaking power of the enterprises, including the power to decide prices. The second point is that reform is by no means the root cause of commodity price increases. They were caused by the past economic structure, one which is unable to strike a rough balance between total demand and total supply. This is the case, not only in China, but also in the Soviet Union and East European countries as well. This is also the very reason why many economists abroad call the traditional socialist economic structure "economics of shortages," in which demand exceeds supply. In such an economy, the question of total demand larger than total supply cannot be satisfactorily resolved despite the fact that we possess the two major categories [liang da bu lei 0357 1129 6752] of Marxist principles and the principle of overall balance, which we derived from experience. In this sense, we have every reason to say that the old economic structure has caused the condition in our country, in which total demand is larger than total supply. The old economic structure lacks vitality and efficiency and is liable to create a tendency of seeking quick results in the ideology guiding economic construction. Our reform is aimed at changing this very economic structure and structurally eradicating the root cause of demand exceeding supply. In the past 10 years, production has developed, the market has become more prosperous, and the people's living standards have improved. These facts show that reform has changed, to a certain extent, the past situation in which total demand greatly exceeded total supply. However, the increase of commodity prices in the last 10 years, particularly the current sizeable increase, indicates the problem of total demand exceeding total supply has not been completely resolved. Fundamentally speaking, we must rely primarily on in-depth, comprehensive reform to resolve this problem. To carry out this reform, we must improve the economic environment and rectify economic order in the next 2 years.

To achieve a general balance between supply and demand, it is necessary to begin working on both simultaneously. While emphatically calling for reducing total demand, the 3d Plenary Session of the 13th CPC Central Committee has made very good arrangements to improve and increase total supply. Nevertheless, the focus of improving the economic environment should be on reducing total demand and most important on reducing capital construction and organizational purchasing power. This is because it takes time to increase total supply and there is a production cycle for all kinds of commodities. Therefore, to contain inflation, it is necessary to shift the focus of improving the economic

environment on reducing total demand. Because total demand is equal to investment demand plus consumption demand; because consumption demand includes personal consumption demand in addition to organizational purchasing power; and because it is difficult to reduce consumption demand, such as wages and bonuses during the initial stage of improving the economic environment; it is wise and relatively easy to achieve a shift of focus to improving the economic environment on reducing the scale of capital construction and organizational purchasing power. Of course, this does not mean ignoring the importance of solving other problems, such as checking the excessively rapid growth of consumption funds, but means that the solution of the present key problem will propel the work of improving the economic environment.

In conclusion, in simple terms, the focus of rectifying economic order should be placed on correcting the chaotic condition in the sphere of commodity circulation. As we are in a period of transition from the old to the new system, economic confusion in various spheres will occur during this period. However, rectifying the chaotic condition in the sphere of commodity circulation should remain the focus of correcting economic order in the next 2 years. Only thus will it possible to keep price hikes next year at a level lower than this year. Take grain as an example. China's grain output is expected to decline this year, due to many natural disasters. Besides China, reduction in grain production is a worldwide phenomenon this year. Importation of large quantities of grain will not be in China's interest, and it is unnecessary. Our grain reserves provide the means for us to satisfactorily arrange grain supply next year, but trouble could occur if acts of disrupting the grain market, such as buying grain at higher prices, hoarding and speculation, and inflating grain prices, are perpetrated in the sphere of commodity circulation. This is not alarmist talk. The "fierce battle" of buying grain at higher prices has been going on for a few years, and no state bans have produced a result. The "fierce battle" has continued this year, resulting in a sharp rise in grain prices on the market. If these acts are not checked until a problem occurs in grain supply, we shall certainly fail in our effort to improve the economic environment and rectify economic order next year. Therefore, the current priority in rectifying economic order must be to correct chaotic commodity circulation.

#### **Comprehensively Understand and Implement the Principles of the Third Plenary Session**

Yang Qixian, member of the State Commission for Restructuring the Economy:

Some comrades attribute current difficulties and problems to reform, and think that they are caused by mistakes in reform. Such a view is unfounded and against the facts. If we analyze matters, it will not be hard to find that the present problems are precisely the result of our failure to thoroughly and successfully reform the

old system. For instance, excessively rapid economic growth, excessive construction projects, increased demand, and an unstable market were constant phenomena of the "shortage economy" under the old system. Current problems are nothing but a recurrence of the defects of the old system. Since reform is still proceeding, various economic relations have not yet been straightened out, and two different kinds of system, mechanism, and management method exist simultaneously, contradictions, loopholes, frictions, and even conflicts are objectively inevitable. Moreover, reformative measures, such as central and local financial contracts, contracts signed by enterprises with the state concerning profit delivery and tax payment, and the "double-track" price system, are explorative and transitional in nature. They sometimes yield both positive and side effects. If we do not make a realistic, overall analysis, and if we view current problems in a isolated way with the "equalitarian viewpoint" of the traditional centralized planning system, or with the "value viewpoint" of the system of developed commodity economy, we shall inevitably reach an incorrect conclusion that nothing is normal, regard reform as a failure, and lose our confidence and courage to continue our advance. We must be determined to solve present problems, and there are two ways to do so. One is to study and use new methods; and, in essence, this is to push reform forward. The other is to resort to traditional methods; and, in essence, this is to pull reform backward. However, facts in the last several decades prove that there will be no way out if we do not carry out reform. We must use reformative methods to solve the difficulties and problems emerging in the course of the reform.

#### **Improvement and Rectification Must Rely on Reform**

Sun Xiaoliang, director of the Economic Management Bureau of the State Commission for Restructuring the Economy:

Problems concerning economic environment and order, such as inflation, imbalance between supply and demand, and disorder in economic life, are caused by many interrelated social, economic, and psychological factors. Of these, the defects of economic mechanism are a fundamental cause. For this reason, it is unrealistic to expect a fundamental solution of these problems in 2 years of improvement and rectification before we fundamentally change the economic mechanism.

Facing us is such a contradiction: On the one hand, a thorough reform of the pricing, production, and circulation systems requires us to improve the economic environment and rectify economic order. On the other hand, to fundamentally carry this out requires us to transform economic mechanism in the course of restructuring the economy. In order to solve this contradiction, it is necessary to adopt an alternate promotion tactics. The main points are that, currently, we should rely mainly on administrative means to improve the economic environment and rectify economic order for a temporary and

limited objective. Once the objective is attained, we should quickly start reform of the pricing, production, and circulation systems, in order to create a new economic mechanism. Then, we should rely on the new economic mechanism to thoroughly improve the economic environment and rectify economic order. In the alternate promotion process, we should alleviate two problems. One is to prevent people from regarding temporary administrative means as permanent reformative measures and perpetuating them. In this case, reform will be interrupted, and the old system will be restored. The other is to prevent people from expecting too much from the efforts to improve the economic environment and rectify economic order in the next 2 years. In this case, people will go after high objectives of improvement and rectification which cannot be attained through administrative means, and will bungle the opportunity for reform of the pricing, production, and circulation systems.

The heart of improving the economic environment is to improve the balance between total supply and total demand. To do so, it is necessary to adopt measures to control demand and increase supply.

The question of controlling demand: The fundamental cause of our protracted failure to control demand, whether it is demand for capital goods or consumer goods, lies in the fact that we have only the mechanism to stimulate investment without one to control it, and that we have only the mechanism to boost consumption without one to restrict it. Under such circumstances, it is necessary to stop projects under construction and to reduce investment, in order to control demand. However, to resolve this question once and for all, we must develop a control mechanism through reform of the relevant structures. Currently, we can adopt the following reform measures: readjusting investment decision-making structure and taking away the investment decisionmaking power from noneconomic entities, which are unable to assume investment risks; reforming the performance evaluation system, under which the performance of government officials is rated by the speed of development, to reduce the enthusiasm of government officials for investment; implementing housing reform to divert spending from "hot points"; and linking wages with economic results to control consumption. All these are feasible reform measures, aimed at controlling demand.

The question of increasing supply: To increase supply, it is necessary to appropriately increase monetary input. However, we must realize that increasing monetary input may directly lead to an increase in demand, which is not conducive to alleviating the contradictions between supply and demand. Therefore, we must not use this as the primary means of increasing supply, at least not at the present. Instead, we should carry out reform to improve the mechanism of running the enterprise. Currently, there are two measures which can be implemented. The first is to improve the system of contracted responsibility in operating enterprises. The second is to

promote the merger of enterprises. By taking these two measures, we can effectively increase supply without increasing monetary input or with only a slight increase in monetary input.

The question of rectifying economic order: Although there are ideological and administrative causes for the disorder in certain areas of current economic life, the fundamental cause lies in the lack of supportive structural reform measures. As a result, structures related to each other are no longer able to check each other. Under such circumstances, it is necessary to stress the need to strengthen discipline, to take the general interest into consideration, and to strictly enforce orders and prohibitions. However, we must rely on the mechanism inherent in the structures to check against each other, if we want to establish a new commodity economic order once and for all. We must adopt supportive measures to establish this mechanism. In summary, we can describe the relationship between improving the economic environment and rectifying economic order on the one hand and deepening reform on the other hand in this way: Improving economic environment and rectifying economic order serves to deepen reform. At the same time, deepening reform will help improve the economic environment and rectify economic order. Improving the economic environment and rectifying economic order in a departure from reform is like a "movement" without its "goal."

#### How To Prevent 'Stagflation' While Reducing Demand?

Li Yining [0632 0110 1337], professor of Beijing University Economics College:

If total demand is simply suppressed when structural imbalance exists in an economy, it may lead to excessive economic retrenchment. Meanwhile, if the rate of price rises does not go down because of structural problems, economic "stagflation" may occur. However, possibility is not tantamount to reality. Possible "stagflation" becomes actual "stagflation" only when there is corresponding purchasing power. If purchasing power is not strong enough, it is still hard for the prices of goods in short supply to go up, even when the structures of demand for, and supply of, commodities are not coordinated. If purchasing power still causes price rises after measures are taken to cut total demand, then we must know where such purchasing power comes from.

Does it come from state expenditure and bank credit? Or has some of state expenditure and bank credit turned into purchasing power for goods in short supply? Generally speaking, there is no such possibility at a time of excessive economic retrenchment. Cutting total demand includes reducing state expenditure and bank credit.

Does such purchasing power come from earnings through exports, remittances from Overseas Chinese, spending by people from abroad (earnings from tourism), or foreign investment? This is because all such

incomes may turn into purchasing power for goods in short supply. Cutting down domestic demand and increasing earnings through export, remittances from Overseas Chinese, earnings from tourism, and foreign investment can go hand in hand. In such a situation, the increased purchasing power for goods in short supply will not cause price rises, provided the increased foreign exchange is rationally used to increase the supply of goods in short supply (such as importing more goods in short supply) or to import more means of production that can turn out goods in short supply.

Then, we are faced with this question: Since purchasing power which can cause price rises at a time of economic retrenchment does not come from state expenditure and bank credit or from foreign exchange earnings, where does it come from?

It may come from the following two sources:

First, it may come from people's savings deposits and cash in hand. At a time of economic retrenchment, if people anticipate changes, they may turn their bank deposits and cash in hand into purchasing power to buy goods in short supply, causing price hikes.

Second, it may come from enterprises' after-tax profits. Enterprises may spend such money for public consumption or divide the money among their workers and staff members for personal spending. Such workers and staff members will then buy goods in short support, causing price hikes. It should be pointed out, however, that, if an enterprise is self-restrained in using its profits and pursues a long-term development policy, it will take into consideration the objective situation in economic retrenchment, exercise self-restraint in using its after-tax profits, economize on spending for public consumption, and divide less money among its workers and staff members; it will put stress on raising productivity, lowering production costs, and increasing accumulation funds. Otherwise, if an enterprise is not self-restrained in using its profits and has only short-term plans, it may very well fail to take into consideration the situation in economic retrenchment and divide all its after-tax profits among its workers and staff members. This may also cause price rises.

Thus, it is clear that, under the circumstances of a structural imbalance, possible "stagflation" can turn into real "stagflation," if the government, while taking measures to rein in demand, fails to reduce the pressure and lessen the impact of the residents' savings and their cash on the market. By the same reasoning, if the government fails to reform the enterprises' operational structure while reining in demand, and if the enterprises fail to exercise self-restraint in using their after-tax profits and still pursue short-term policies, the possibility of "stagflation" can become the reality of "stagflation."

What we want to discuss is how to prevent "stagflation" while reining in total demand.

First, the question of residents' bank savings and ready cash.

In our efforts to curb demand, to prevent panic buying when the residents perceive major changes are going to take place in the market, the government should raise interest rates and offer value-insured savings accounts as well as savings deposited as future payments for commodities to encourage the residents to save more. At the same time, the government should advise the residents to use a part of their savings to buy houses or share certificates because the values of both are guaranteed. Because houses and shares bought means short-term capital turned into long-term capital and consumption funds turned into production funds, they are profitable ways for diversification of savings. In order to increase market supplies, the self-employed workers and peasants should be encouraged to convert their ready cash into production capital, instead of squandering them on luxuries.

Second, the question of the enterprises' operational mechanism.

Not only increasing supplies, but also restraining demands depends on deepening enterprise management. Enterprise reform means reform of an enterprise's operational mechanism. Only when an enterprise exercises self-restraint regarding its own interests can it begin to think about how and on what to spend its after-tax profits and how to avoid short-term actions. Then, how should an enterprise's operational mechanism be reformed? Obviously, the contract system is not the answer, because under the contract system, the "umbilical cord" between the administrative department in charge and the enterprise is not severed, and an enterprise under the contract system is not independently managed nor is it a commodity producer responsible for its own profits or losses. The contract system must be gradually replaced by the stock system. The economic activity of a stock enterprise is decided by the interests of the investors. The long-term interests of stock enterprises can be adapted in keeping with the intentions of micro-economic readjustments. In other words, during a period of economic retrenchment, the investors, for the sake of their long-term interests, will exercise self-restraint in the use of their after-tax profits instead of focusing their attention on short-term gains and trying to maximize their short-term interests. This way, near-sighted acts, such as dividing all after-tax profits among the workers and staff members, can also be prevented.

Based on the above, we can reach the following conclusion: Given the condition of a structural imbalance, "stagflation" is not improbable. But if we strive to increase supply while curbing demand, take measures to stabilize the residents' savings, guide the residents to buy houses

and stocks with their bank savings and cash, deepen enterprise reform, and establish a system requiring the enterprises to exercise self-restraint in their own interests, "stagflation" is preventable. In other words, if we do all these things, our economic future will not be "stagflation," but moderate growth and declining inflation.

#### Two Potential Problems

Zuo Chuntai [1563 2504 0669], Ministry of Finance:

There are two potential problems which have not yet been noticed. First, the depreciation fund retained in the form of monetary value under inflation cannot compensate for material objects. Under such circumstances, we have to either suspend the process of social reproduction or explore new channels for funds in order to ensure the compensation for depreciated fixed assets with material objects. Second, our construction is being carried out with domestic and foreign debts, and there should be differences between the distribution of income derived from an economy developed by debts and that by funds at our disposal. In the case of the former, income should be distributed after funds for repaying debts are deducted from the annual national income. However, such funds for repaying debts are not listed in the state budget. Hence, when we are unable to make the repayment, we have to either incur new debts or cut back on annual investment and consumption. By "eating one's corn on the cob," these two potential problems can destabilize the economy. They are now brought to attention so that we can better perceive difficulties and problems.

At the root of the current inflation and drastic price rises is an overheated economy brought about by overanxious efforts to seek fast growth and quick results. As problems crop up, such efforts have been slowed down, but they can be stepped up once the situation improves. Balance is the sole objective criterion for evaluating and maintaining an appropriate growth rate. As long as we strike a balance between total demand and supply, and an overall balance in state finances, loans on credit, material supply, and foreign exchange, there is no need to worry about the growth rate. The "super-high rate" was no good, because it was achieved on the basis of imbalances. Only when we maintain a comprehensive balance, rational (proportionate) structure, and steady growth rate is it possible to integrate reform with development and speed with efficiency. Balance should also be able to create the best milieu for the pricing reform. It has been repeatedly proved in history that a seemingly slow speed is actually rather steady, and that overanxious subjective efforts to seek quick results can slow the speed.

#### It Is Necessary To Steadfastly Implement the Principles Adopted by the 3d Plenary Session of the 13th CPC Central Committee

Wu Kaitai [0702 0418 3141], Researcher at the State Council's Economic, Technological, and Social Development Research Center:

Some prevailing views have hindered steadfast implementation of the principles adopted by the 3d Plenary Session of the 13th CPC Central Committee. One of them is reflected in the concern over reemergence of the "landslide" in production—slow growth rate caused by tightening loans on credit from late 1985 to early 1986—as a result of the effort to curb inflation. At that time, the growth rate was slowed in order to resolve the "super-high rate" and return the economy to the normal speed of development, and the drastic dip in industrial production was actually caused by improper measures to tighten loans on credit. It is necessary to draw lessons from past experience in tightening loans and improve measures in this aspect. However, we should not negate the need for tightening loans under such economic circumstances.

There is another view, which believes that, in solving inflation, we should not emphasize restricting demand, but should rely mainly on increasing supply. Of course, it is necessary to do everything within our capabilities to increase supply. However, the increase in supply cannot exceed objective possibilities. In view of acute inflation, emphasizing the importance of increased supply alone, while playing down the need to curb demand, cannot help curb inflation.

Some comrades have misgivings that the administrative measures currently in force may cause regression in reform. As a matter of fact, they are temporary measures which have to be taken, and they are not aimed at returning to the old system, but at creating better conditions for accelerating establishment of the new.

In short, it is necessary to overcome hesitation and oscillation, resolutely cut back on investment, rationally tighten loans on credit, control the growth rate of consumption funds, and give top priority to curbing demand. At the same time, efforts should be made to increase the supply of goods in demand, gradually strike a balance between currency in circulation and in demand, bring inflation under control, and improve the economic environment and order, thereby creating favorable conditions for steady advance of reform and construction.

#### **It Requires "Tenacity" To Improve the Economic Environment**

Dai Yuanchen [2071 0954 2525], researcher at the Economics Institute of the Chinese Academy of Social Sciences:

The growing strains on economic environment and the aggravation of inflation which were caused by total demand exceeding total supply, did not come suddenly. Excessive demand has long existed in the economic systems of socialist countries. The general impulse to expand has developed an economy of shortages under the traditional system of price control, while inflation has emerged under the new system of gradual price decontrol. We might say that this is a most natural

option made by leaders trying to prove, with a high economic growth rate, the superiority of the system, as well as the achievements of their official career. Setting aside long past examples, let us just recall events in recent years. Following dual expansion in the demand for investment and consumption in the second half of 1984, an effort to tighten demand was repeatedly stressed in the first half of 1985; however, before any tangible results were obtained, the demand again inflated in 1986. In the second half of 1987, the government put forth the policy of cutting back on financial expenditures and bank loans, but they were expanded again in the first half of 1988. It had been a rule since the founding of the country that the volume of currency withdrawn from circulation in the first half of the year was always greater than that in the second half. Nevertheless, in the first half of this year, the volume of currency put into circulation was greater than that withdrawn from circulation. All these explain that the problem of expansion in total demand has long existed, and been identified and tackled, and that poor results shown in tackling this problem has aggravated inflation. In summarizing the experience and lessons, I believe that "tenacity" is the key to resolving problems which should not be tackled halfway. It takes "tenacity" to make the current drive to improve the economic environment a real success.

The policy of tightening demand was left halfway for fear that the absence of expansion in demand might lead to a stagnation or decline in our economic development. As China is a developing country, the Government's economic targets are diversified. It should give no cause for much criticism if the economy is aimed at catching up with and taking over the advanced countries and seeking high rates of economic growth, employment, and increase in the income of individuals. However, the crux of problems lies in contradictions between the Government's diversified economic targets. Although no government in the world has clearly defined its economic goal as one to achieve a fast economic growth in spite of a high inflation rate, many countries have either consciously or unconsciously headed toward inflation through seeking a fast economic growth or through stimulating the economy and increasing employment. Moreover, almost all countries have explicitly stated inflation as their fighting goal, but some have succeeded, while others have not been able to do so for years. The difference in the results lies in their capabilities to withstand temporary economic decline. It requires "tenacity" to stand up to the pressure of growing demand when the economy is declining.

Furthermore, China's inflation has escalated from one of light degree to medium degree. A major feature of medium-degree inflation can be seen from the inertia that pushes inflation to circulate on its own. When inflation reaches the medium degree, measures to curb demand and control currency will stagnate the economy while the inertia continues to push inflation, thus creating a situation of "stagflation." There are many aspects

of the inertia of inflation. Experience at home and abroad shows that the higher the rate of inflation is, the more powerful its inertia will be. China's inflation rate is between 10 to 20 percent, and "stagflation" is unavoidable in our efforts to curb inflation. Therefore, we should be ideologically prepared for a period of economic decline as well as "stagflation." It takes "tenacity" to tackle "stagflation." Otherwise, endeavor to bring inflation under control can stop halfway.

Few tangible results have been obtained in curbing inflation in recent years. Interpreting this in the light of the theory on economic cycle and countermeasures in response to the "reverse cycle," some comrades believe that when the economic growth rate drops, it is necessary to expand demand to stimulate economic recovery so as to avoid excessive pressure when demand expands again following drastic control measures. If there is a cycle of economic growth, there should be peaks and bottoms such as ups and downs in the quarterly growth rates in recent years. However, there have never been zero or minus growth rates, that is, the economy has never dropped to the bottom and, therefore, it does not need stimulation for recovery, and the "reverse cycle" countermeasures, of course, cannot bring inflation under control. As a matter of fact, the crux of the "reverse cycle" countermeasures is to even up the peaks, not to raise the troughs. Hence, it is necessary to make tenacious efforts over a protracted period to control demand and stabilize the economy so as to ensure a steady and healthy growth of the national economy, and avoid a cycle of major oscillations and fluctuations in our economic development.

#### Several Specific Measures

Yang Lu [2799 7627], adviser to the Research Center for Economic, Technological, and Social Development of the State Council:

Improving the economic environment mainly means checking inflation. Deficits in the state budget must be eliminated as soon as possible. Before the financial revenue and expenditure are balanced, overdrafts from banks should be resolutely stopped. Instead, the banks shall issue periodic bonds and cut down loans. Bank credit must be resolutely tightened. But there should be no indiscriminate tightening of money in circulation. Not only must nonproductive capital construction projects be carefully screened and the construction of office buildings, auditoriums, and guest houses suspended or postponed, but productive capital construction projects and their bank loans should also be examined. All industrial processing projects whose demand for raw and processed materials exceeds the supply and all technological innovation projects of a capital construction nature shall be suspended or postponed, and all their loans shall be stopped. Loans for all suspended or postponed projects should be repaid. The suspended or postponed projects shall be asked to sell their stocked building materials to repay the loans. The suspension

and repayment of bank loans are aimed at ensuring that funds, building materials, energy, transportation, and raw and processed materials shall be available to capital construction projects which produce items in acute short supply, so that they can be expeditiously built and put in production. This is one of the key measures to improve the economic results and extricate ourselves from an economic predicament. At the same time, it is necessary to ensure the availability of circulation funds to meet normal production and operational needs. Enterprises with an overstock of raw and processed materials or an accumulation of products shall be asked to repay their loans and reduce their stocks or to accept merging. In this way, the economic growth will inevitably slow down for well-coordinated development.

To absorb idle funds, it may be practical to import home electric appliances or their major components to be reassembled at home and sold at high prices by the commercial departments, while home-produced appliances shall be sold by lot drawing to holders of time deposit accounts at state fixed prices. Some people have proposed that the value of short-term time deposits ranging from 6 months to 2 years also be guaranteed. Its advantages and disadvantages still need further study. But I think the majority of their holders are likely to cash them on the date of maturity in order to buy commodities. Guaranteeing their value does not necessarily delay their withdrawal from the bank, but the added interest will surely increase their purchasing power when cashed at maturity. To postpone their increased buying power, it may be advisable to encourage the conversion of fixed deposits of 6 months, 1 year, and 2 years to value-insured fixed deposits of 3 years. However, the value of short-term deposits of 6 months and 1 year should not be guaranteed.

Rectifying the economic order is mainly aimed at rectifying the order of circulation and the mines. With regard to rectifying the circulation order, first, the central authorities have begun monitoring the intermediate companies and are investigating and punishing "bureaucratic profiteering." This is absolutely necessary. But the state-run commercial, supply, and foreign trade companies must first be rectified because they are the major channels. Next, it is necessary to correct laxities in industrial and commercial administration, reduce the overextended operation approved in the past, and cancel the labor service companies run by various units. For example, the labor service company run by the railway bureaus sell train tickets; the labor service companies run by the iron and steel companies sell steel materials, and so on and so forth.

Second, we must clearly provide that the wholesale in one region is a single-step operation and all local resales with additional prices are strictly forbidden. Commodity circulation between different regions should also follow a rational circulation law and unscrupulous circulation as well as reexporting back to the place of origin [dao liu

0227 3177] should not be permitted. Meanwhile, manufacturers should be given the authority to set the bulk rates of commodities in short supply in areas where they are marketed. The manufacturers should set for various marketing areas the wholesale prices of delivered goods and they may commission various local wholesalers to be their sales agents or set up marketing outlets themselves. By doing this, the manufacturers can collect the profits caused by high demand and have the incentive to expand production. However, in order to guard against reckless development, excessive profits should be taxed and levies should be collected for the price regulating fund. Third, the key to developing coordinated and steady agricultural production lies in improving the order of the market of agricultural goods and guarding against all types of "major war" in this market. On the one hand, the state should carry out guidance plans, provide guidance prices, and buy and market agricultural goods according to contracts; on the other hand, the state should intensify its market control. Relevant departments under a county government should organize the major manufacturers, commercial enterprises, and traders to sign contracts with the farmers and set unified standards for quality and purchasing prices, designate purchasing areas, and allocate purchasing quotas. Heavy fines should be imposed on the violators. At the same time, the state must demand that government organs and traders follow the unified purchasing prices and punish those who do not. Such measures are practical as long as purchasing prices are set according to the law of value and the price relations are rational between different types of agricultural goods. Those agricultural goods for which the prices have gone up sharply because supply can hardly meet demand should also be taxed for the price regulation fund so that there is money for balancing farmers' income, making up the losses caused by natural disasters, and subsidizing the kinds of agricultural goods of which supply is much higher than demand so that their minimum prices can be protected. During the purchasing and marketing of agricultural goods, supply and marketing cooperatives should display the spirit of serving the producers. In addition to not hurting the producers' interests by downgrading the quality of their goods and thus paying lower prices for them, they should guide their production by providing the necessary services.

Improving mining areas' order is not yet on the agenda, and many state mines have been encroached upon by independent and associated small miners, and mineral resources have been plundered. Thus, while improving economic order, we must consider improving mining areas' order an important project that must be carried out as early as possible. To reduce resistance, we should acknowledge the small miners' vested interests but firmly stop them from fleecing the major operators and the state. To uphold this principle, we should organize the small operators to operate jointly and make them the shareholders of the operation, and the amount of shares they get should be based on the values of their mines.

The original workers should be properly placed. According to the principle of utilizing resources rationally, the joint enterprises should centralize their planning of production, construction, supply, and marketing. They should close down the redundant mines, increase the use of machinery, and install more facilities needed for production safety.

Some people worry that improving economic order will cause a reversion to the old system. In my opinion, we must proceed with reform and guard against reversion to the old system. However, proper intervention, control, guidance, management, and supervision are still necessary in areas where the operation has been decontrolled but not supervised, or where the operation has been overly decontrolled. This is seeking truth from facts, and not reversing to the old system. During the course of reform, we must constantly examine our experiences, and moving back and forth while making amendments is essential for reform and is not strange at all.

#### **Strengthening Macroeconomic Management and Controlling Investment Scale**

Lin Senmu [2651 2773 2606], director of the Capital Construction Research Institute of the State Planning Commission:

Reducing investment volume is the central link in the drive to improve the economic environment. When we review the course of our country's economic construction, we find that there is always the question of excessive increase of the investment volume. When the investment volume increases excessively, we have no choice but to make vigorous efforts to reduce it. However, as soon as we have reduced it, it begins to increase again, and we are forced to make new efforts to reduce it. This is still the case since we began the structural reform. The periodical expansion of investment has become a major problem besetting us.

Why is there still this problem of hunger for investment in the course of reform? How can we effectively control the volume of investment to ensure smooth progress of reform and construction?

After years of reform, we have developed a new investment structure in which investors from different economic sectors invest in a variety of projects through different channels. The amount of nonbudgetary investment has increased to more than half of the total amount of investment. However, local governments and enterprises lack the self-control mechanism, the old macroeconomic control mechanism is unable to control nonbudgetary investment, and the imperfect market can only regulate a very small portion of the investment activities at the microscopic level. All these reasons plus the spontaneous tendency toward increasing investment volume inevitably make the increase a reality.

To effectively control investment demand, we must strengthen macroeconomic management and establish an investment control and regulatory system suitable to the transitional period in which both the new and old structures exist side by side.

1. The area of investment managed by the government should be expanded to incorporate the entire society. The government investment plan should not concern itself solely with budgetary investment by units owned by the whole people. It must be used to guide investment in fixed assets in the entire society, especially nonbudgetary investment, so that investment needs and the supply of capital, materials, and technology can be roughly balanced.

2. The target of control and regulation should be made clear in the investment plan. The plan must have binding force. It must not be merely for reference or forecast purposes.

3. Although we have the plan to guide nonbudgetary investment, we lack means to implement the plan. We should draw up a plan to control and regulate investment for the entire society. The plan should cover finance, tax, banking, commodity price, and other general economic departments. The target of control and regulation shall include money supply, credit volume, the supply of different types of government bonds, the alignment of investment in different industries, the rate of depreciation, the investment tax rate, the interest rate, the price index of invested materials, and the standard earnings ratio.

4. In the period of structural change, many economic measures are unable to function properly. Therefore, we should not hastily abandon administrative measures overnight. Actually all the construction projects (with the exception of houses built by the peasants) are undertaken with the approval of the local government. Without the approval of the local planning or economic commissions, banks will not open accounts, electricity departments will not supply electricity, and industry and commerce administrative agencies will not issue business licenses. The investment volume and makeup can be controlled if governments at various levels seriously control the screening and approval of project planning and construction.

5. We should establish a system to make investment decision and manage investment information, and we should enforce a system of registration for investment projects. At the same time, we should promulgate relevant investment information regularly to guide investment by all trades and professions.

6. We should speed up the enactment of investment laws and use them to bring the relations between various investments into better balance, to establish the legal status of the parties involved in the investment, and to

eliminate blindness from the current investment decision making process and resolve the question of the lack of clear responsibility prevailing today. We should push forward the reform of the investment structure, strengthen the overall balancing function of planning, make the macroeconomic control and regulation of investment and the decision making process more scientific and democratic, and ensure the integration of the responsibilities, rights, and benefits of all investment parties.

#### Seriously Improve Financial Environment

Yun Zhiping, deputy director of the Overall Planning Department of the Ministry of Finance:

In the 10 years of reform, great achievements have been made in the financial work. However, the present situation is also very grim. The main indications of the grim situation are confused financial management thinking, strained financial environment (tight financial situation), serious dispersion of capital funds, and slack financial and economic discipline. I think that the following measures should be taken in accordance with the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and in consideration of our actual financial situation:

1. We should make the greatest determination to eliminate financial deficits. In projecting the financial budget, we should from now on fully tap the potential of revenues and frugally arrange expenditures. On the whole, no expenditures should increase in the next 2 years, with the exception of top priority spendings, such as those for national defense, education and science development. Even the top priority spendings must be strictly controlled and their increases must be within our financial capability. We should strive to achieve a balance between revenues and expenditures in several years.

2. We should properly concentrate financial resources. We should seriously implement the decision of the June 1983 central work conference on raising state budget revenues to 28-30 percent of the national income, and strive to attain this objective in the next few years.

3. We should improve the management and control of extra-budgetary funds. In order to do so, we may consider screening all the extra-budgetary funds to decide according to their conditions which should be allowed and which should be resolutely taken over. At the same time, we should institute and improve procedures for management and use of extra-budgetary funds.

4. It is necessary to deepen the financial reform, including the reform of the budget system, taxation and state property management. In particular, we should accelerate the reform of the enterprise distribution system to make enterprises truly assume sole responsibility for profits and losses. We should arouse the enthusiasm of enterprises and their workers and staff members, raise

their economic efficiency, and at the same time, strive to solve the problem of making enterprises pay back their technological transformation and capital construction loans after paying tax, not before paying tax.

5. Problems concerning foreign debt management should be solved seriously. At present, there are many problems concerning foreign debts, including disconnection of borrowing, use and repayment, and very poor efficiency in using foreign debts. Foreign debts have become an extremely great risk. To handle the foreign debts, we must have a unified policy and planning, put them under a unified management, and practice a system of economic responsibility.

6. We should strengthen the legal system and strictly enforce financial discipline. We should enact and improve legislation concerning state budget, taxation, state property management, and debts, and promote a law-abiding and democratic financial management.

7. We should establish a financial supervisory system and constantly improve it. At the same time, we should step up training of financial and tax cadres, seriously wage an anti-corruption struggle, correct unhealthy tendencies in the financial department, and improve the quality of financial and tax cadres.

#### **An Urgent Task Is To Formulate Policies, Laws and Regulations**

Xie Minggan, director of the Policy, Law and Regulation Department of the Ministry of Materials:

We should review the reform in the last 10 years. Looking back, we find that the reform has greatly improved the situation of our country, and that our entire economy and society have become full of unprecedented vitality and vigor. Nevertheless, there are also many problems. To sum up, both the economic development and the reform are uneven. The economic development has been marred by an acute contradiction between supply and demand, constant excessive economic growth rate, incoordinated economic structure, serious inflation, and great imbalance in finance, credit and materials. The reforms are not coordinated with economic development, nor are they coordinated among themselves. In particular, macro-economic control cannot keep pace with the reforms, causing economic disorder.

Relatively speaking, we have paid more attention to achieving breakthroughs in individual areas and less on the overall coordination of reform measures; we have put too much emphasis on flexible macroeconomic control and not enough on macro-control; paid too much attention on the production sector and not enough on the circulation sector; paid more attention to the formulation of laws and not enough to supervision and law enforcement. Both economic development and economic reform are huge projects involving all of society and the two must be well-coordinated and developed

steadily. This is particularly so in a big country like ours where the productive forces are in different stages of development, the commodity economy is backward, and the outdated traditional views and feudalism still have a profound influence. We must be prepared to fight a protracted war, not a battle of quick decision. We must not be impatient for success, nor try to avoid problems by not tackling them. Over the past 30 years, we have suffered enough from these kinds of mistakes and now we are suffering from them again (although the circumstances are different). Moreover, the "inflation-is-good theory," "deficits-are-harmless theory," "stimulate demands theory," "borrow-from-abroad theory" and so forth that emerged in recent years have also affected decision makers in making correct decisions. In the future, we must earnestly bear in mind these profound lessons.

The policy adopted at the 3d Plenary Session of the 13th CPC Central Committee is a positive, all-round policy. Improving the economic environment, rectifying the economic order, and deepening reforms are mutually conditional and promote one another. I believe that in order to implement this policy, we must unify our understanding both in theory and in ideology and formulate correct policies, laws, and regulations on this basis. At present, people still do not have clear ideas on such such matters as how to correctly approach the relationship between reform and development, between planning and market, and between loosening up and tightening up; what are the objectives and patterns of a socialist market; how to administer the market under the condition of the "double-track system;" and the difference between speculations and legitimate transactions. If we do not have a clear understanding of these questions, it will be difficult to deepen reforms, introduce norms of market behavior, and enable the market to develop along a sound path. Take the circulation of capital goods for example. To this day we still do not have such important statutes as laws governing the capital goods market, materials enterprises and the situation is so chaotic that is staggering. First, resources are scattered. The completion rate of production contracts within the state plan has declined continuously while production outside the plan whose products can be marketed by the producers themselves has risen rapidly. A large portion of the production outside the plan is being used to raise funds, exchange goods, enter into cooperation with others, supply those "chits" requesting goods, or being hurriedly purchased at high prices by "profiteers." Very little of the goods produced outside the plan are openly sold in the market of capital goods. This has seriously affected the normal operation of key large and medium-sized enterprises. Second, party, government, military, and civilian departments as well as industrial, agricultural, commercial, academic, and public organizations have gone into business one after another. More and more units are now dealing in major capital goods. For example, more than 50,000 units in the Shenyang City proper are dealing in steel products and most of them are after sudden, staggering profits. Steel products are sold and

resold repeatedly for a profit and their prices rise after each transaction. Third, chaos in price administration. The same commodity is being sold at different prices and the prices are rising daily. The prices of major capital goods have risen steeply since this year; some have risen 50 percent while others have risen as much as 200 percent. Fourth, illegal business activities of every description have run rampant. They include transactions in the black market, tax evasion, offering and taking bribes, abusing power for personal gains, hoarding and speculation, transactions in cash, reselling goods subject to production quotas for profits, selling of licenses, manufacturing of counterfeit goods, and all sort of other irregularities. Malpractices in the channels of circulation of capital goods are extremely serious and they must be firmly checked.

In order to rectify, we should first enact laws and regulations and use them as the basis for the rectification. In particular, we should understand clearly what are buying and reselling at a profit, "bureaucratic racketeer" and "private profiteer." I think that buying and reselling at a profit is an inevitable product of commodity economy. Under the law of value, commodities always flow from low-price places to high-price places. Such a flow is conducive to optimizing the distribution of material resources. What we should resolutely oppose and stop are illegal purchases and resales. At present, they are mainly done by "bureaucratic racketeers" and "private profiteers."

The so-called "bureaucratic racketeers" are those who have administrative power or have connections with people having administrative power, use administrative or other noneconomic means to obtain commodities in short supply and resell them at staggering profits. Their characteristics are: (1) the dealers are party, government, army and mass organizations, retired cadres, and cadres' sons and daughters; (2) their purpose is not to serve production and construction, but to reap staggering profits much higher than average profits; and (3) they practice unequal exchanges, coerce people into buying and selling, collude with others, speculate on the rise and fall of prices, drastically jack up prices, and even resell allotted quotas, commodity allocation certificates and permits. The so-called "private profiteers" are those (usually having no official status) who use illegal economic means (mainly bribery) to obtain commodities in short supply and resell them at staggering profits. The difference between "bureaucratic racketeers" and "private profiteers" is that the former relies on power while the latter relies on money. In last 2 years, "bureaucratic racketeers" and "private profiteers" have become rampant, seriously disrupting the economy, interfering with reform, and corrupting social values. There are many causes—excessive social demand, contradictions between supply and demand, rising prices, the "double-track" pricing system, widening gap between the two prices, weak legal system, slack financial and economic discipline, disorderly market management, loopholes in the foreign trade system, profiteering resale of import

and export goods by some localities enjoying preferential treatment, failure of state-owned enterprises to play a main channel role, and illegal dealers exploiting the chance. Therefore, to rectify economic order and stop illegal resales is not a job of any one department. We must mobilize the forces of all quarters to make an overall improvement. A pressing matter at the moment is to formulate relevant policies, laws and regulations, encourage, protect and develop legitimate trade according to local conditions, and ban illegal trade.

#### **Seriously Perfect the Contract System and Gradually Implement the Joint Stock System**

Zhou Shulian, director of the Institute of Industrial Economy of the Chinese Academy of Social Sciences:

In the course of improvement and rectification, some reforms should be slowed down and others need not be slowed down because of their specific conditions. For instance, the price reform is more conditional than the reform of enterprises. So, we should slow up the price reform next year, but the reform of enterprises need not be slowed down.

In order to deepen the reform of enterprises, we should put the stress of work on seriously perfecting the contract system and gradually practicing the joint stock system. Some people have doubts about the superiority of the contract system. Such doubts are unnecessary. Many facts show that the contract system indeed has its superiority in a certain period. However, the superiority of the contract system is in the first place a possibility. In order to turn the possibility into reality, we must perfect the contract system. At present, there are many problems concerning the contracts signed by enterprises. For instance, a considerable number of enterprises fail to introduce the competition mechanism when they contract for jobs. Some contracts are poorly conceived, having a weak legal binding force. The assets of some enterprises are not reappraised before they are contracted out. Some enterprises exaggerate or conceal their profits. Some departments are intensifying their interference with the operations of contracting enterprises in violation of the latter's decisionmaking power. These problems should be solved by perfecting the contract system so as to truly give play to the superiority of the contract system, fully tap the potential of enterprises, and alleviate the difficulties in economic development.

A system of shares should be adopted by a number of enterprises as part of the enterprise reform. There are people who regard the shares system as a special element of the capitalist economy, believing that it should not be adopted in a socialist economy. This point of view lacks scientific basis. As a matter of fact, the shares system is related to the commodity economy. It is an organizational form which can be adopted by all enterprises, socialist as well as capitalist. When a state enterprise adopts the shares system, its shares will be owned by the state, and there will be no change to its state ownership.

Adopting the shares system does not make the enterprise private. When a state enterprise sells a number of its shares to individuals or collectives and introduces a system of shares owned mainly by the public, its public ownership is not weakened either. The introduction of this shares system will not make the enterprise private. Gradually introducing the shares system may change the traditional structure in which property rights are not clearly defined and the owners are absent. It may help draw a clear distinction between the responsibilities of the government and those of the enterprises and guarantee the independence of the enterprises. It may also provide the necessary conditions for enterprises to truly operate independently, to assume sole responsibility for their profits and losses, and to exercise self-control. In a nutshell, it may help socialist enterprises to become truly independent commodity producers and managers.

Our country has the necessary conditions to adopt the shares system step by step. Enterprises which possess the necessary conditions may begin to make the transition from the contracted responsibility system to the shares system on an experimental basis. A number of profitable large and medium-sized state enterprises may issue stocks and sell them to their workers and other individuals or collectives to make them stockholders. This will enhance the workers' sense of being the master of the enterprises and facilitate the deepening of the reform of the enterprise management mechanism. In addition, it will alleviate the pressure on the consumer goods market and help increase supply by turning some of the consumption funds into production funds. However, at the same time, we must also realize that there are also many obstacles to implementing the shares system. In addition to the difficulties posed by the enterprises themselves and the environment surrounding them, we still lack the necessary conditions for implementing the system all at once. Therefore, the shares system must be implemented under proper leadership and step by step. We must guard against rushing headlong into it simultaneously.

#### The Tasks Facing Us in Developing the Rural Economy

Chen Jiyuan [7115 0679 0337], director of the Institute of Rural Development of the Chinese Academy of Social Sciences:

In the course of improving the economic environment, rectifying the economic order, and deepening reform in an all-around way, we must successfully resolve the problems we encounter in our rural economy today. Not only is this important to the steady development of the rural economy but it is also vital to the smooth progress of the task of improving the economic environment and rectifying the economic order in the next 2 years.

The rural reform in the last decade has greatly aroused the initiative of the peasants for production. The output of grain, cotton, and other major agricultural products set a historical record in 1984, and the income and quality of life of the peasants also rose notably. However,

since 1985, agricultural production has stagnated, leading to the shortages of agricultural products and price increases. This has had a direct impact on the entire national economy and has become a major issue to the whole nation.

Obviously, there is indeed the question of "overheating" in the development of the rural economy. However, overheating is not occurring in agriculture. It manifests itself mainly in the development of village and town enterprises. Appropriately controlling the excessive speed of development of village and town enterprises is entirely necessary to resolving the problems of the excessive increase of credit demands and the volume of nonbudgetary investment. In developing the rural economy, it is also necessary to rectify order, especially the order in the circulation of the means of agricultural production and agricultural products used as key raw and semifinished materials.

Improvement of the economic environment in rural areas needs a different approach from that in cities. In recent years, agriculture has not been "overheated," but "overcooled"; and too little, not too much, has been invested in it. The state has cut back the investment in agriculture; collective economic organizations generally no longer form the mainstream in agricultural investment; and peasant households, instead of performing the function of agricultural accumulation, have emphasized consumption and shown little interest in increasing production and agricultural investment.

In solving problems confronting the rural economy it is necessary to, first, continue to improve the household contract responsibility system that links remuneration to output, and second, gradually set up a comprehensive environment suitable for the development of rural economy. In particular, I would like to discuss the second point. Of course, administrative and legal means are indispensable for solving problems in rural development, but economic problems will ultimately need to be resolved with economic means. Peasants lack enthusiasm for farming, especially grain farming, primarily because of its relatively low profit. Due to the spiraling price rises of commodities, the price disparity between industrial and agricultural goods, once diminished after 1979, has again widened and even exceeded that in the 1950's. Why did readjustment of farm produce prices bring about spiraling price rises and finally revive the price disparity even more to the detriment of agriculture, particularly grain bearing crops? The fundamental cause is incomplete market mechanisms during the transitional period between the old and the new system. Moreover, it is also caused by such problems as excessive circulation links, speculation, and profiteering. Therefore, in rationalizing the price relationship between industrial and agricultural products, we should not only emphasize the increase of farm produce prices, but should proceed from the overall situation in the national

economy in readjusting farm produce prices in conjunction with the reform of enterprises, establishment of macroeconomic regulation and control, and development of the market system.

During the transitional period between the old and the new system, it is impossible to reform the pricing system of agricultural products with one stroke. The reform should be carried out in stages so as to gradually set up a price parity conducive to agricultural production, especially grain. To this end, I would like to suggest the following measures: 1. Decontrol the prices of, first, a number of selected farm products with relatively balanced supply and demand relations and having no bearing on the overall situation, and then where conditions are ripe, gradually lift the control over prices of other farm products. 2. Allow each locality to proceed from its actual condition in deciding the category of agricultural products whose prices are to be decontrolled, and when and to what extent the price decontrol should be. 3. The double-tracking system of grain prices shall be indispensable for a long time to come, but the portion of state fixed prices should be gradually reduced and that of market prices expanded along with changes in the economic situation. 4. The volume of grain sold at fixed prices in cities, except for rationed grain, should be cut down so as to create the conditions for gradual reduction of grain purchased by the state according to contract. 5. Set up a mechanism for the state, urban residents, and peasants to jointly share the expenses needed for reforming the farm produce pricing system.

In keeping with the reform of farm produce pricing system, it is necessary to continue to reform the unified and fixed state purchase system and gradually establish the market mechanism for circulating agricultural products. Experience has proved that reviving the old practice of unified and fixed state purchases and forcing peasants to sell the produce at low prices contrary to the law of value can produce a far-reaching negative influence on agriculture. All comrades in the party should bear this historical lesson in mind.

#### **Establishment of an Unemployment Insurance System Brooks No Delay**

Li Chengrui [2621 2052 3843], State Statistics Bureau:

All readjustment measures, such as reducing capital construction investment scale, restricting institutional purchases and excessive consumption funds, lowering the growth rate, checking on corporations, and tightening loans on credit and currency supply, will unavoidably lead to the bankruptcy of enterprises and unemployment of workers. This will force some enterprises to face the predicament of laying off workers, thus aggravating the unemployment rate. This is the price and "tuition" that we must pay for the overheated economy, as well as the effect of the harsh mechanism of survival of the fittest,

inherent of the commodity economy under given conditions, and the forcible correction, by the objective economic law, of the excessive expansion and abnormal development in our economic operations in recent years. We should conscientiously undergo this painful process and straighten things out in order to bring the national economy back to its original proportion and normal growth rate, create a better environment for reform and construction, and conceptualize new economic mechanisms, including that of competition for labor forces.

How to handle the unemployment created by the current drive to improve the economic environment and rectify the economic order? Of course, efforts should be exerted to find other jobs for the unemployed. Some of them may return to rural areas, but the problem for the majority cannot be settled. To have enterprises supporting laid off workers would encounter mounting difficulties and contradict the objective of the current drive. Therefore, the state should promulgate and put into force as soon as possible "regulations for unemployment insurance" (or an "unemployment insurance law" in the future) so as to properly handle the problem through policies and legislation. The establishment of an unemployment insurance system is an indispensable measure for ensuring social stability and building the people's capabilities to withstand economic strains during the current drive to improve the environment and rectify the order. It is also an important measure for fostering the mechanism of competition for labor forces and deepening the reform. As the outlet for excessive water is to a reservoir and the safety valve to a boiler, so is the unemployment insurance system to the normal operations of commodity economy. Unless the system is set up immediately, we will be caught unprepared in the event of increased unemployment and social upheaval, and such problems may force the drive to improve the environment and rectify the order to stop halfway and ultimately lead to the next round of inflation-austerity, thus incurring even more serious damage to construction and reform.

**Su Shaozhi Interviewed on Means of Production**  
HK3012153588 Hong Kong WEN WEI PO  
in Chinese 27 Dec 88 pp 1, 2

["Special Interview" by Ho Ching-lien (0149 3237 3353): "Means of Production Should Be Socialized—An Interview With Professor Su Shaozhi- Part Two"]

[Text] Ho: As reform deepens, society has recently shown an inclination to seek ownership. How do you see this phenomenon?

#### **To Have Reform, It Is Necessary To Change Ownership First**

Su: I think the most important thing to do is to socialize the means of production. Now that production is socialized, production means should also be socialized. Without socialization achieved in these two fields, the socialization of the relations of production will be out of the

question. In the past, we only placed great stress on the socialization of production relations but neglected the socialization of productive forces. As a consequence, I suffered badly from the major error we committed in regard to the socialization of production relations. I have always advocated differentiating three concepts: socialization, nationalization, and exclusive state control [guo jia hua 0948 1367 0553]. Some people say it is very difficult to distinguish between the last two. It is a fact. However, the worst nationalization is exclusive state control. Under the Nazi exclusive state control, the state monopolized all means of production. The existing socialist countries—by calling them “existing,” I mean differentiating them from scientific socialism expounded by Marx, including the Soviet Union and East Europe—are characterized by exclusive state control. The so-called state-owned enterprises are enterprises which are operated by the state rather than by society. Such being the case, there is still some distance to go from ownership by the state to ownership by society. Currently state ownership has become an impediment obstructive to the combination of working people and production means. Under such ownership working people cannot dispose of both production means and products. This ownership system could be successful at its very inception, because at that time working people still have enthusiasm. We also practiced a system of coercion under which we accumulated funds at the expense of agriculture, which made the peasants’ life considerably difficult; workers’ wages were kept below the value of their labor, leaving industrial and agricultural conditions unimproved; and stress was placed on heavy industry and the production of consumer goods was neglected. As a result, people’s living standards could not be improved and working people lacked enthusiasm. Under the system of coercion people’s enthusiasm cannot last long. Therefore, to institute reform, first, it is necessary to change state ownership.

Ho: We are currently in the following situation where enterprises under public ownership lack vitality but private ownership is logically untenable. Hence, all kinds of analogous private ownerships have emerged as the times require. What are your views on their prospects?

#### State Ownership Is Also No Good

Su: As I see it, we cannot say public ownership is surely inferior to private ownership. It depends on what kind of public ownership. A real public ownership is a matter in the future and at present we cannot say we already have such an ownership. When state ownership goes, naturally, it is more inferior to private ownership. Even a social democratic party does not advocate developing nationalization. As far as a shareholding system is concerned, it cannot be viewed as a system of private ownership. It is just a form of capital socialization. While in Britain, I observed and studied Margaret Thatcher’s privatization program. She was very clear when she called on people to become shareholders, stipulating that the ceiling of shares for an individual

shareholder is 2,000 shares and the bottom 200 shares and that no transaction is allowed above the ceiling. Her slogan was to create 9 million millionaires in Britain. The implication is that shares should be decentralized so that every worker can become a shareholder. This is a means to split the ranks of workers, because the increase in the number of shareholders and the decrease in the number of unionists are synchronous. For example, if the workers of a company buy another company’s shares, they will not agree to the strike to be staged by the workers of the company whose shares they bought. As such, it is currently very difficult to stage a successful strike in Britain. In our country, the shareholding system plays a different role. We maintain that after becoming shareholders, workers will become more concerned with their enterprises. When I was in West Germany during my recent tour, I was informed that enterprises there had a participation law, which defined that their workers were obliged to participate in the discussion of certain important programs. This was good in promoting their workers to concern themselves with their enterprises. In terms of economic development, the fact that socialist countries have again and again failed to develop their economies has to do with their structures. The key to reform lies in smashing the old structure under which worker participation in management was excluded and establishing a new structure under which workers have the right to participate in management.

Ho: Where should we start in the current drive to improve the economic environment? How can this reform be deepened?

#### Start With Elimination of Extra Demands

Su: The current situation is too chaotic and needs rectification. However, the question at issue is how to carry out such rectification. To make reform, a socialist country has to go through several barriers: inflation, unemployment, and income disparity. However, they are the products of the old structure rather than reform itself. Of the barriers, the most difficult one to surmount is inflation. Why has not a single socialist country ever managed to remove this barrier? The book “A New Feasible Structure of Socialism” has analyzed the reasons behind this state of affairs. According to its analysis, all socialist countries encounter inflation while carrying out reforms but not a single country has ever taken note of the fact that the crucial element to avoid inflation in reform is eliminating extra demands.

#### Production Means Should Be Socialized

I have been pondering all along: Reform takes a price. I am most opposed to the argument that so long as reform is introduced, all will be right with people’s livelihood. This is not so. According to the results of my inspection in several socialist countries, after reform was launched, people have become better off but at the same time, problems also cropped up. This being the case, I favor belt-tightening. In so saying, I mean encouraging people

to think of ways to cut down effective demands. I do not mean writing off people's purchasing power and handing all their money over to the state. To achieve this goal, even coercive measures can be adopted. However, no politicians in a socialist country or the government are ready to speak honest words and clearly explain difficulties to the masses; what they want to say is everything but improving people's living standards. Failure to achieve the desired improvement will often result in a crisis. This year it is said that the new price reform will not be carried out so as to curb price hikes but prices cannot be checked by issuing orders. The only path to take at present is to make clear the actual difficulties facing us, and the truth that reform takes a price, to the masses so that everybody will make joint efforts to tide over difficulties by tightening their belts. However, to do so, we should refrain from just asking the masses to bear the burden. First of all, our leaders should take the lead in this respect. They should be determined to openly renounce all privileges and special offers and to close down special stores exclusive to them, setting an example for others to follow. In addition, they should make earnest efforts to practice democracy and openness so as to restore their confidence among the people. This is the only way to take. If restrictions are imposed on prices, this is called groping for stepping-stones to cross the river and the effort will end up at the back at the start, after a period of groping. I discussed this method of mine in an article entitled "Ask A Tiger For Its Skin" but it was later deleted.

**Local Governments Begin Imposing Price Controls**  
*OW3012155388 Beijing XINHUA in English*  
1103 GMT 30 Dec 88

[Text] Beijing, December 30 (XINHUA)—While the central government is making efforts to fight against country-wide inflation, local governments are beginning to impose price controls.

Today's "ECONOMIC INFORMATION" reported that the municipal government of Qinhuangdao City in Hebei Province has taken serious measures to control prices and stabilize markets.

The central government has set limits on price increases in Hebei Province as well as its major cities.

Last November, the Qinhuangdao municipal government conducted a survey and found it difficult to keep price levels below the ceilings designated by the Departments of Price Control and Industry and Commerce.

Nevertheless, in co-operation with more than 10 departments, including the bureaus of commerce, materials, fisheries, vegetables, tobacco, grain, culture and medicine the government attempted to clarify their responsibilities in price control.

The departments have worked out specific measures to control the price and supply of commodities and high quality daily necessities on the markets.

Meanwhile, today's "CHINA YOUTH NEWS" reported that in Changchun, capital of Jilin Province, the prices of more than 5,000 varieties of goods in its 10 major department stores have decreased by 0.5 to five percent.

According to the manager of Changchun's Central Department Store, one of the ten enterprises, its reduction in prices will amount to more than 1.66 million yuan next year.

**Progress in Exports, 15 Percent Increase Noted**  
*OW3012155788 Beijing Domestic Service*  
in Chinese 1030 GMT 27 Dec 88

[From the "National Hookup" program]

[Text] According to XINHUA, China has made good progress in export this year. According to statistics of the Ministry of Foreign Economic Relations and Trade, total exports reached \$36.4 billion in the first 11 months, increasing nearly 15 percent over the same period of last year; and total imports during the same period reached \$32.4 billion, up nearly 22 percent from the same period of last year. The total favorable trade balance was nearly \$4 billion.

**Agriculture Minister Outlines 1989 Tasks**  
*OW3012152888 Beijing XINHUA in English*  
0650 GMT 30 Dec 88

[Text] Beijing, December 30 (XINHUA)—China's grain output for 1989 is expected to reach 410 million tons, a 3.5 percent increase over this year's figure, Minister of Agriculture He Kang announced.

China is also expected to produce 4.5 million tons of cotton, a 10 percent increase, 16 million tons of oil-bearing crops, a 25 percent increase, and 65 million tons of sugar crops, a 7 percent increase, he said at a meeting of provincial directors of agriculture which closed in Beijing Thursday [29 December].

The State Council, China's highest governing body, will pay higher prices for grain, oil, and cotton and invest more in agriculture to help these targets to be met, he said.

State supply of fertilizer will be increased by 5 million tons compared with this year, plastic film by 60,000 tons and pesticide by 20,000 tons.

He said that the main problem will be persuading farmers to increase grain output. This year, many have switched to growing other crops because of the high costs of fertilizer, plastic film, and energy. This has cut into profits, he said.

The minister called on all agricultural departments to bring more land into grain and cotton production, increase multiple cropping areas, and apply scientific research results to agricultural production.

**Large Oil Field Discovered in Jinan**  
*HK3001123888 Beijing CEI Database in English*  
30 Dec 88

[Text] Jinan (CEI)—A large oilfield, with oil reserves of millions of tons, was recently discovered in the Shenli Oilfield on the Yellow River delta and named Chengdao Oilfield.

The discovery of Chengdao Oilfield, the first large one ever found in China's offshore shallow waters, marks a big break-through in oil-exploration in China's shallow seas.

The Shenli Oilfield has decided to open up the Chengdao Oilfield by means of building islands.

The Chengdao Oilfield, between 3 and 10 meters deep under water and 5 kilometers offshore at the nearest point, is located in the shallow sea of Bohai at the Yellow River entrance into the sea.

Four trial wells have been drilled since the beginning of this year, with oil found in each of them.

Geologists verified that the new oilfield boasts five sets of oil-bearing strata, a basic oil-bearing area of 34 kilometers and reserves of over 100 million tons. The oil there is of high quality and light. Oil wells there are capable of self-ejection.

The Shenli Oilfield, the second-largest one in China, has produced more oil than any other fields in the 1980's. Over 50 oilfields were discovered there during the past 20-odd years.

**Deng Pufang Attends Hainan Handicapped Congress**  
*HK3112060088 Haikou Hainan Provincial Service*  
in Mandarin 2300 GMT 27 Dec 88

[Excerpt] The first congress of the Hainan Provincial Federation of the Handicapped opened on the morning of 27 December in the meeting hall of the provincial party committee. Leaders of the provincial party committee, the provincial People's Congress, the provincial government, the CPPCC provincial committee, and the provincial planning commission, including Liang Xiang, Liu Jianfeng, Bao Keming, Wang Yefeng, Wei Gefang, Li Zhiming, Meng Qingting, Ding Yuexiang, Gu Huan-yuna, Cao Wenhua, Li Mingxian, and retired old cadre Zhao Guangxu attended the opening session. Deng Pufang, chairman of the Chinese National Federation of the Handicapped, and Vice Chairman Liu Xiaocheng came specially to Haikou to attend this congress. The opening session was presided over by provincial Vice Governor Wang Yefeng. Kuang Xiantian, deputy director of the provincial finance department and leader of the preparatory committee for the provincial federation of the handicapped, delivered a work report to the congress. Comrade Deng Pufang also made a speech at the meeting. He said: The welfare undertakings for the handicapped constitute a special cause, and brook no neglect. This is an important component part of our socialist cause, and it embodies the spirit of humanitarianism. Ensuring the well-being of the handicapped is also a part of the Chinese people's efforts to become wealthy at the same time. He hoped that the Hainan Provincial Federation of the Handicapped will consolidate itself and do its best to safeguard and represent the interests of the handicapped. [passage omitted]

### East Region

**Anhui Congress Ends Standing Committee Session**  
*OW3012153988 Hefei Anhui Provincial Service  
in Mandarin 1100 GMT 26 Dec 88*

[Text] After completing all items on the agenda, the seventh session of the seventh provincial People's Congress Standing Committee concluded on 25 December.

The session adopted the Anhui Provincial Regulations on Protecting the Legal Rights of Consumers and the Resolution of the Anhui Provincial People's Congress Standing Committee on Stepping Up Popularizing Legal Knowledge, Enforcing Laws, and Supervising Law Enforcement Work.

The session heard a report by Chen Tingyuan, vice chairman of the Standing Committee and chairman of the Credentials Committee of the provincial People's Congress Standing Committee, on examining the credentials of newly elected deputies, and affirmed the validity of the credentials of Hu Xianglong, newly elected deputy to the seventh provincial People's Congress by the First Session of the First Huangshan City People's Congress.

The session also approved appointments and dismissals.

Vice Chairman Su Hua presided and spoke at the closing meeting.

Present at the meeting were Zheng Rui, Kang Zhijie, Du Weiyou, Chen Tianren, and Huang Yu, vice chairmen of the provincial People's Congress Standing Committee.

Attending the meeting as observers were Wang Sheyun, provincial vice governor; and Feng Jianhua, chief provincial procurator.

**Chen Guangyi Chairs Fujian CPC Meeting**  
*OW0101210789 Fuzhou FUJIAN RIBAO in Chinese  
18 Dec 88 p 1*

[FUJIAN RIBAO report]

[Excerpts] Comrade Chen Guangyi chaired a meeting of the Fujian Provincial Party Committee Standing Committee on 1 December. Reviewing the findings leading comrades of the provincial party committee obtained from their recent investigation and study at grass-root departments as well as the issues discussed at a meeting attended by leading comrades of relevant departments, the 1 December meeting discussed how to build strong party organizations and bring their political strengths into play during the course of cleaning up the economic environment and improving economic order. In this connection the meeting also issued the No 18 document and urged all local authorities and departments to implement the guidelines. [passage omitted]

In connection with Fujian's actual situation, the meeting urged party organizations at all levels to make every effort to accomplish the following five projects:

#### **Building Stronger Grassroot Party Organizations**

Party building covers a broad basis, but grass-root party organizations are the most important part. During the cleaning up of the economic environment, improving economic order, and deepening reform in various fields, special efforts must be made to build up party organizations in rural areas, enterprises, official organs, neighborhoods, and schools so that these party organizations can become genuine fighting fortresses that can guide the masses to take part in reform and construction. We must heighten party members' senses of honor and responsibility so that they will act as vanguards and role models in all fields. [passage omitted] This winter and next spring all local authorities should analyze and study the performance of grassroot party organizations, and come up with specific measures for building stronger grassroot party organizations, especially their leading bodies. For those inoperative or semi-inoperative leading bodies, we should organize personnel and take effective measures to reorganize and improve them within a specified period. [passage omitted]

#### **Pay Special Attention To Carrying Out Situation Education and Doing Ideological and Political Work at Enterprises**

Today we should continue to broadly and thoroughly educate the vast number of party members, cadres, and people throughout Fujian on the current situation, centering around the need to clean up the economic environment, improve economic order, and deepen reform in all fields. [passage omitted] The press and media must closely coordinate with this project so that even more successful results can be achieved. We should regard the education on the current situation as a new starting point in intensifying and improving ideological and political work and earnestly sum up new experiences so as to explore a new way for doing ideological and political work. [passage omitted]

#### **Seriously Investigate and Handle Major Cases**

Currently the vile means with which economic crimes are committed have produced an extremely pernicious influence, and they have interfered with the normal progress of reform, opening up, and economic construction. If we fail to handle these major cases seriously, we cannot assuage popular indignation, nor can we enhance the people's confidence. While cleaning up the economic environment and improving economic order, all local authorities should take powerful measures and wage a resolute struggle against all lawless conduct and crimes. Cases of corruption and bribe taking should be the major targets. Specifically, they are: 1) cases concerning leading cadres who abuse their authority for personal gains, and who solicit and accept bribes; 2) cases concerning cadres in charge of money and supplies who, taking advantage

of their offices, practice craftiness, steal, and engage in speculative and profiteering activities for windfall profits; and 3) cases concerning personnel of grassroots law enforcing departments, administrative departments, and public institutions who abuse their authority and engage in extortion and blackmailing. Party and government authorities at all levels must support and protect those comrades who uphold principles and perform their duties impartially, and they should take the initiative in rejecting gifts and ignoring special connections.

#### **Remaining Honest in Performing Official Duties**

For the past several months party and government departments at all levels have done a great deal in keeping themselves clean in performing their official duties. However, some of the units and localities' problems are still serious. There are three problems about which the masses complain most. One is the use of one's official position to demand or accept bribery. The second is to build private houses in violation of party discipline and laws. The third is to present gifts and entertain people with public funds. The meeting pointed out: It is strictly forbidden to use one's official position to demand or accept bribery. All cadres who use their official positions to demand or accept bribery will be strictly handled, no matter what grade he or she has; and their cases should be thoroughly investigated. [passage omitted]

#### **Gradually Pursuing the System of Supervision of "Making Public the System in Handling Affairs and the Results" in Law Enforcement, Supervision and Administrative Departments and Public Institutions**

We must make public the system in handling affairs and the results thus obtained, and accept supervision by the masses. This is important to building a democratic system and keeping a clean government. This is also an important measure aimed at improving the economic environment and rectifying economic order. We must first of all tackle those problems about which the masses complain most and in which they demand an immediate solution in keeping the government clean. We must expose the contradictions, establish a system, handle affairs openly and accept supervision by the masses. We must investigate in a timely manner and handle any action that violates the system so as to win confidence of the masses and safeguard the system. We must make public the system in handling affairs in law enforcement, supervision and administrative departments, and public institutions, particularly in industrial and commercial establishments, as well as tax collection, public security, banking, and public health departments where the practice of using one's power for personal advantage prevails. We must first of all tackle those major problems reported by the masses, and solve them step by step. We must pay attention to actual results, truly solve problems, and guard against formalism.

#### **Han Peixin at Jiangsu Congress Meeting Closing** *OW3112080088 Nanjing Jiangsu Provincial Service in Mandarin 1015 GMT 25 Dec 88*

[Text] The Seventh Provincial People's Congress Standing Committee ends its sixth session in Nanjing this morning.

The session decided that the second session of the Seventh Jiangsu Provincial People's Congress will open in Nanjing on 20 April 1989.

The session adopted provincial regulations concerning implementing the PRC Fishery Law, the procedures of the Jiangsu Provincial People's Congress Standing Committee for personnel appointments and dismissals, and the resolution of the Jiangsu Provincial People's Congress Standing Committee on relying on progress in science and technology to invigorate Jiangsu's economy.

The session approved Nanjing City's regulations on the management of the Nei Qinhuai He and Wuxi City's regulations concerning the association of foreign investment enterprises.

The session voted by secret ballot to appoint Qin Shuping vice chairman of the Legislative Affairs Commission of the provincial People's Congress Standing Committee and appoint Zhou Haizhen chairman of the provincial Family Planning Commission. It also approved 18 appointments on the provincial Higher People's Court, including its chief judge, deputy chief judges, and judges, and appointed 5 procurators to the provincial People's Procuratorate.

The closing meeting was presided over by Vice Chairman Li Zhizhong. The meeting was attended by Chairman Han Peixin, Vice Chairman Li Qingkui, Secretary General Bai Yun and members of the provincial People's Congress Standing Committee, 48 people in all.

#### **Jiangsu Leaders Attend CPPCC Meeting Closing** *OW0101031089 Nanjing XINHUA RIBAO in Chinese 18 Dec 88 p 1*

[Text] The Fourth Standing Committee Meeting of the Sixth Jiangsu Provincial CPPCC Committee ended yesterday afternoon in Nanjing. Chairman Qian Zhonghan presided over the closing meeting. Vice Chairmen Luo Yunlai, Deng Haoming, Gao Juefu, Chen Zonglie, Chen Minzhi, Chen Suiheng, Cheng Bingwen, Liu Xinghan, Zhang Chenhuan; and Secretary General Wang Zhongqi attended the meeting.

During the 4-day meeting committee members attentively studied the documents of the 3d Plenary Session of the 13th CPC Central Committee and the enlarged 7th plenary meeting of the 7th provincial CPC Committee. They consulted with each other and discussed the provincial CPC Committee and government's implementation of the CPC Central Committee's major decisions

and on future work. During the discussions at the group and general meetings, committee members offered opinions and suggestions mainly on the problems of cleaning up companies, stabilizing commodity prices, trying every means to do well in agriculture, further developing production, increasing effective supply, and stressing and developing science, technology and education.

During the meeting Comrades Gu Xiulian and Sun Han heard opinions and carried out direct dialogue with the committee members. They briefed committee on the difficulties met during the province's drive to improve the economic environment and to rectify the economic order and on the province's implementation of the guidelines of the national planning conference. They hoped that committee members would do more propaganda work among the masses and make more explanations to various circles, so as to jointly do a still better job in provincial work.

The meeting also studied the problem of how to make the provincial CPPCC and its members play a bigger role in the course of improving the economic environment and rectifying the economic order and in the comprehensive deepening of reform.

Vice Chairman Chen Zonglie made a summing-up speech at the close of the meeting.

**Commentary on Tightening Jiangsu Party Discipline**  
OW0301064489 Nanjing Jiangsu Provincial Service  
in Mandarin 1015 GMT 25 Dec 88

[Station commentary: "Tightening Party Discipline and Disseminating Healthy Trends"]

[Text] Under the leadership of party committees at various levels and higher discipline inspection authorities, Jiangsu's discipline inspection organs at various levels and all of its discipline inspection cadres have focused on the central task of economic construction, adhered to the party's basic lines, seriously enforced party discipline, and strengthened the efforts to build a good party style over the past few years. They have done a great deal of work to guarantee the complete implementation of the party's lines, principles, and policies, and to support and promote the policy of reform and opening to the outside world as well as the sound development of economic construction.

Fearing no difficulties, many discipline inspection cadres have boldly persisted in principles, faithfully performed duties, fairly enforced discipline, and resolutely struggled against unhealthy trends as well as passive and corrupt phenomena within the party. They have made contributions to party building.

The Jiangsu Provincial CPC Committee has decided to commend the province's 32 advanced discipline inspection organs and 150 outstanding discipline inspection cadres. This shows both support and impetus for the province's discipline inspection organs at various levels and cadres.

The important decision made by the 3d Plenary Session of the 13th CPC Central Committee to improve the economic environment, rectify economic order, and deepen reform in a comprehensive manner is being carried out in depth. It is especially important to strictly run the party, strengthen discipline, and establish a clean government in the efforts for improvement and rectification.

It is our wish that discipline inspection organs at various levels and all discipline inspection cadres will develop a strong sense of mission, be highly responsible, and bring into full play the following inspection functions: protection, punishment, supervision, and education. They must concentrate on establishing good party discipline, help party committees establish a sound party style, and both ensure and contribute to the smooth implementation of measures for improvements, rectification, and reform.

Running the party in a strict manner, strengthening efforts to establish a clean government, and doing a good job in party discipline inspection in the new situation are important for the party as a whole. These tasks need understanding and support from the party and society as a whole. Party committees at various levels must take practical measures to strengthen discipline inspection leadership. They must enthusiastically assist discipline inspection organs and cadres in their work, and help them bring their functions and power into full play.

Under the unified leadership of party committees, discipline inspection organs at various levels must take the initiative in cooperating closely with relevant departments. They should support and coordinate with each other during work so as to bring supervisory organs' overall functions into better play.

**Jiangxi's Mao Zhiyong Attends CPPCC Forum**  
OW0101074789 Nanchang JIANGXI RIBAO  
in Chinese 17 Dec 88 p 1

[Excerpts] At the fifth provincial forum on CPPCC work, which ended on 16 December, Jiang Zhuping, deputy secretary of the provincial party committee and vice governor, said: This forum will have positive effect on the accelerating the development of CPPCC work, improving the system of multiparty cooperation and political consultation under the leadership of the Communist Party, and promoting the implementation of reform and open policies and the building of material and spiritual civilizations, especially promoting the

improvement of the economic environment, the rectification of economic order, and the deepening of comprehensive reforms. [passage omitted]

On the morning of 15 December provincial party committee and the provincial government leaders, including Mao Zhiyong, Wu Guanzheng, and Jiang Zhuping, attended the forum and had a discussion with leading comrades of prefectural, city, county, and district CPPCC committees. [passage omitted]

Speaking at the forum on behalf of the provincial party committee, Jiang Zhuping said: CPPCC organizations play an irreplaceable role in developing socialist democracy. CPPCC organizations' strategic status and important role in the initial stage of socialism should be fully understood. We should continue to promote CPPCC work in the province according to the guidelines laid down by the 13th party congress and the 3d Plenary Session of the 13th CPC Central Committee. For some time to come in CPPCC work, we should hold high the banner of socialism and patriotism, uphold the basic line for the initial stage of socialism, vigorously consolidate and develop the patriotic united front, and strengthen the development of socialist democracy while undertaking reform and modernization, in order to contribute to achieving prosperity in Jiangxi, reunifying the motherland, and revitalizing the Chinese nation. [passage omitted]

Wu Ping, chairman of the provincial CPPCC Committee, addressed the forum. [passage omitted]

Liao Yanxiong, vice chairman of the provincial CPPCC Committee, chaired the forum. Present were Vice Chairmen Yang Yongfeng, Shen Hanqing, Wu Yongle, and Jin Liqiang; and Secretary General Sun Dianjia of the provincial CPPCC Committee.

**Jiangxi Congress Committee Holds Plenary Session**  
OW3012152688 Nanchang Jiangxi Provincial Service  
in Mandarin 1100 GMT 25 Dec 88

[By reporter Hu Huimin]

[Text] The sixth meeting of the seventh provincial People's Congress Standing Committee held the second plenary session on the afternoon of 25 December to hear work reports by relevant departments under the provincial People's Congress and its Standing Committee, people's government, Higher People's Court, and People's Procuratorate.

Wang Zemin, vice chairman of the provincial People's Congress Standing Committee, chaired the session; which was attended by Chairman Xu Qin and Vice Chairman Pei Dean. Zhang Fengyu, vice governor; Li Ying, president of the provincial Higher People's Court; and Wang Shuheng, chief procurator of the provincial People's Procuratorate, observed the session.

Li Ying gave a report on the results of a general inspection of law enforcement in all courts in Jiangxi. He said: The 4-month inspection has further harnessed the initiative and sense of responsibility among cadres and police of the courts in Jiangxi, provided them a penetrating education on the legal system, investigated and handled problems existing in the law enforcement process, and raised the level of law enforcement. The general inspection has also improved the quality of law enforcement activities, ensured strict enforcement of law, raised the efficiency, and promoted the construction of a clean government.

Wang Shuheng made a report on the results of the general law enforcement inspection in all procuratorates in the province. He said: First, a number of wronged cases have been corrected in the process of the inspection. Second, the contingent of procuratorial personnel have gone through profound education in the legal system. Third, ties between the procuratorial organs and various quarters of society have been strengthened, and the procuratorial work has become more open to the public. The general inspection has also improved the cadres' quality, established and improved the criminal investigation system, strengthened the supervisory function of laws, and enabled procuratorial organs to voluntarily accept supervision and step up investigative study.

Li Shujia, chairman of the provincial people's congress Public Security, Judicial, and Procuratorial Commission, gave a report on problems existing in the enforcement of criminal law and criminal procedural law.

Zhu Guorong, vice chairman of the provincial Commission for Restructuring the Economy, reported on the progress in checking on, and overhauling, corporations.

Zhang Fengyu, vice governor, reported on the progress in handling suggestions and criticisms by deputies to the first session of the seventh provincial people's congress. He said: All the 435 suggestions and criticisms forwarded to the provincial people's government had been properly handled and processed by the end of November.

Zhang Zhengang, secretary general of the provincial People's Congress Standing Committee, delivered a written report on inspection tours made by some of its members.

Li Shujia also delivered a written report on the progress in handling motions made by deputies to the first session of the seventh provincial People's Congress.

Li Hui, vice chairman of the provincial People's Congress Standing Committee Commission for Election, Appointment, and Dismissal Liaison Work delivered a written report on progress in handling suggestions and criticisms by deputies to the first session of the seventh provincial people's congress.

**Shanghai Inaugurates Transregional Power Company**  
*OW0101035989 Shanghai City Service in Mandarin*  
1000 GMT 27 Dec 88

[Excerpts] The East China Joint Power Company, the first trans-regional joint power enterprise in the nation, was officially inaugurated in Shanghai today.

Minister Huang Yicheng and Vice Minister Shi Dazhen of the Energy Resources Ministry, Mayor Zhu Rongji and Vice Mayors Huang Ju and Gu Chuanxun of Shanghai City, attended the inauguration meeting today. [passage omitted]

The East China Joint Power Company is composed of such enterprise units as the Shanghai Municipal Power Company, the Jiangsu Provincial Power Company, the Zhejiang Provincial Power Company, the Anhui Provincial Power Company, and the executive department of the joint power company itself. On behalf of the state, it will be in charge of the east China power grid.

**Central-South Region**

**Financial Discipline Violation in Guangdong**  
*HK3012150888 Hong Kong ZHONGGUO TONGXUN*  
*SHE in Chinese 0950 GMT 26 Dec 88*

[Report: "Guangdong Province Uncovers Cases of Violating Tax and Financial Disciplines Involving Over 400 Million Yuan"]

[Text] Hong Kong, 26 Dec (ZHONGGUO TONGXUN SHE)—According to the Guangdong provincial people's government "Office in Charge of General Examination of Tax and Financial Work" up to the present, Guangdong Province has uncovered a number of cases of violating tax and financial disciplines, which involves 404 million yuan, an increase of 220 million yuan compared with last year.

The majority of cases of violating tax and financial discipline involve the evasion of industrial and commercial taxes, which involves a total of more than 110 million yuan. It has been found that a number of state-run enterprises have also been involved in cases of evading income taxes, regulatory taxes, and profits, which involves a total of more than 29 million yuan.

Investigation into these cases shows that some state organs and enterprises have kept on pursuing ostentation and extravagance despite repeated warnings from higher authorities. Although the higher authorities have repeatedly called for restricting group purchasing power, the various state organs and enterprises have still expended more than 34 million yuan to purchase cars, air-conditioners, color television sets, motorcycles, and so on in defiance of state regulations.

This year Guangdong Province has adopted more severe measures to crack down on the cases of violating tax and financial disciplines. Besides fining units which have evaded taxes and failed to voluntarily pay the balance of taxes, Guangdong Province has also made investigations to find out who is directly responsible for such cases. Besides confiscating nonproductive and state-controlled commodities purchased by units violating state regulations, Guangdong Province has also demanded that the units concerned pay a fine equivalent to 30 percent of the amount of money they have spent on purchasing these commodities.

Up to the present the Guangdong Provincial general examination of tax and financial work has achieved good results; Guangdong Province has successfully recovered a total of more than 83 million yuan in taxes.

**Guangdong To Import Rice From Other Provinces**  
*HK3112023388 Hong Kong HONGKONG STANDARD*  
*in English 31 Dec 88 p 6*

[Text] Rice-short heavily-populated Guangdong is to resort to two novel approaches to restock the province's larder for next year.

Firstly the provincial authorities are seeking Beijing's permission to use their own foreign exchange reserves for the first time to import from overseas, as Shenzhen already has.

Secondly, restrictions on buying rice from other provinces have been relaxed as the state's targets for rice-buying have almost been met.

And although the authorities insist that the guaranteed personal quota will still be available at the official low prices, the rice-loving local people are already having to accept some of it in other grains.

But millions of labourers from other provinces—blamed for causing the shortages—will have to pay the much higher free market price.

Guangdong Provincial government is urging its cities and counties to prepare a rice import plan for the year to come, an official of the Guangdong Provincial Grain Bureau told THE HONGKONG STANDARD.

Other provincial sources estimated the province needs about 80,000 tonnes of imported rice to meet the shortfall.

"We have to buy the rice with foreign currencies we have earned and saved," said an official in charge of the bureau who only identified himself as Mr Chen.

The State Council decided last month to ban all provinces from importing rice from other provinces or overseas unless approved by the central government.

"So even though we are prepared to use our own money, we still need to ask permission," he said.

"The plans will go to the Ministry of Foreign Economic Relations and Trade. The import will then be arranged by the China National Cereals, Oils and Foodstuffs Import and Export Corporation."

It used to be the state that paid the bill for any imported grain wherever it was needed.

Another boost for the heavily-populated province is the relaxation of restrictions on buying grain from other provinces as the state quotas for this year have almost been met.

According to the official PEOPLE'S DAILY last week, the state's rice purchase has already reached more than 93 percent of the target. And 46.5 million tonnes of grain have already been stockpiled in warehouses across the country.

As a result, the ban on buying grains from other provinces will soon be eased. "We were told this several days ago, so as well as importing rice, Guangdong will also buy grain from other provinces," Mr Chen added.

Shenzhen, a special economic zone in Guangdong Province, has imported more than 10,000 tonnes of rice from Thailand since December.

The rice shortage in Guangdong is expected to last for another six months until the next harvest.

"But whatever happens, we will guarantee every legal resident in the province his own quota," said Mr Chen.

"Some Hong Kong newspapers said Guangdong would abolish the rice quota for the people. That is not true. We have no such intention so far," Mr Chen emphasised.

The monthly rice quota for a male adult is 15 kilogrammes and 14 kilos for a female. But owing to the shortage, from this month 20 percent of the quota has been made up by non-rice foodstuff such as flour and noodles.

"We will keep the price stable for Guangdong residents. The government is planning to give subsidies for buying imported rice," he said. The state retailing price for rice is now 0.8 yuan (about HK\$1.6) per kilo.

The presence of four million labourers from other provinces in Guangdong contributes to the extra demand that cannot be met by the province's own rice production.

"We cannot provide them rice at state price. They have to buy rice at a higher (free market) price. And part of our import rice will go to these labourers.

Economists in China have attacked the state for keeping rice prices down to levels maintained for decades, thus failing to provide farmers with incentives to boost production.

#### Hainan Sets Demands for Party Work in 1989

HK0301123189 Haikou Hainan Provincial Service  
in Mandarin 2300 GMT 29 Dec 88

[Excerpts] A Hainan provincial organizational work conference concluded yesterday afternoon. The conference's main task was to transmit the spirit of the 3d Plenary Session of the 13th CPC Central Committee, the national organizational work conference, and the provincial conference of party delegates; and to discuss party building, the formation of a cadre contingent, and reform of the personnel system according to Hainan's specific conditions.

The conference was convened on 26 December in Haikou. Liu Jianfeng, provincial party committee deputy secretary, made a report entitled Exercise Strict Management Over the Party, Deepen Reform, and Blaze a New Trail in Hainan's Organizational Work. [passage omitted] This report sums up and analyzes the party's organizational work in the last few years, and particularly over the past year from the preparations to the establishment of the province. The report points out the tasks in and measures for strengthening party building. Comrade Liu Jianfeng set the tasks for provincial organizational work in the future as follows: First, the building of the party should be strengthened according to the requirements for exercising strict management over the party, to bring into full play the party's leadership and supervisory role, party members' exemplary and vanguard role, and the role of our political line. Second, it is necessary to strengthen [words indistinct]. Third, it is necessary to deepen reform of the personnel system and to gradually set up a personnel management system beneficial to training talented people [words indistinct], to provide an organizational guarantee for the success of improving the economic environment, rectifying economic order, and deepening overall reform; and to ensure the smooth construction of the Hainan Special Economic Zone. [passage omitted]

Li Zhimin, member of the provincial party committee Standing Committee and head of the Organization Department, summed up the conference. He emphasized that the participants should organize party members and cadres in their units in studying Comrade Song Ping's speech at the national organizational work conference and Comrade Liu Jianfeng's report at this conference, should seriously implement the spirit of this conference, and should raise detailed suggestions about the party's organizational work next year. He said: Next year the party's organizational work will focus on this: Leading organs at all levels should resolve the problem of improving efficiency and sincerely performing duties. In setting up a large special economic zone, there must be a highly efficient government and offices that perform their

duties sincerely, otherwise our work will not be able to proceed according to the operation and the market economy. This is not only a political demand but also an economic requirement. [passage omitted] Rural work should focus on making organizational adjustments and adjustments of leading groups. The party's rural work has been very weak in these few years. If this work is not strengthened, we will lose grass-roots organizations. Therefore it is necessary to concentrate our efforts on rectifying rural party organizations and leading groups to bring into play their exemplary and vanguard role in all fields. [passage omitted]

**5th Hubei CPC Congress Holds 2d Meeting**  
*HK0101060289 Wuhan Hubei Provincial Service  
in Mandarin 1000 GMT 28 Dec 88*

[Excerpts] The 5th CPC Hubei Provincial Congress held its 2d meeting in Wuchang this afternoon. Participants listened to reports from the provincial Advisory and Discipline Inspection Committees. Qian Yunlu, member of the Presidium's Standing Committee presided over the meeting. Seated in the front row were members of the Presidium's Standing Committee Guan Guangfu, Guo Zhenqian, Zhao Fulin, Ding Fengying, Zhang Xueqi, Tian Qiyu, (Zheng Yunfei), (Zhou Xiuqiao), and Xu Daoqi. [passage omitted]

In her report on behalf of the provincial Discipline Inspection Committee, Ding Fengying put forth the following four suggestions: 1) Heighten the party's sense of discipline and organization. 2) Perform the functions of protection, punishment, supervision, and education in an overall way, with the work of investigating and dealing with party members who have violated discipline as the center. 3) Assist party committees to improve party style, stressing honest performance of official duties. 4) Strengthen building the discipline inspection contingent and do a good job in the new historical period. She emphasized that strengthening party leadership over discipline inspection work is an important guarantee for carrying out the task of discipline inspection under the new situation. [passage omitted]

**5th Hubei CPC Congress Presidium Holds Meeting**  
*HK3112083388 Wuhan Hubei Provincial Service  
in Mandarin 1000 GMT 28 Dec 88*

[Text] The fifth provincial party congress Presidium held its third meeting in Wuchang this morning. Comrade Guan Guangfu presided over the meeting. Before the meeting was held the participants held a preliminary election of members of the fifth provincial party committee and the next provincial Discipline Inspection Committee. After listening to a report by general examiner (Li Xuewen) on the result of the preliminary election, the Presidium declared that the election was valid. The meeting decided to submit the namelist of the

candidates for the provincial party committee and Discipline Inspection Committee to the provincial party congress for election. It also decided on the namelist of candidates for alternate members of the fifth provincial party committee.

**Southwest Region**

**Frequent Demonstrations Occur in Sichuan**  
*HK0201114289 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1131 GMT 29 Dec 88*

[Text] Chongqing, 29 Dec (ZHONGGUO TONGXUN SHE)—On 26 December a demonstration staged by some motor tricyclists in front of the city government compound's gate added to this "eventful season" in Chongqing City.

Not long ago the city government announced some regulations forbidding motor tricycles from entering the downtown area beginning 1 January 1989, because motor tricycles cause serious noise and atmospheric pollution. This ban gave rise to the demonstration of nearly 100 motor tricyclists, who protested the ban.

On 28 October nearly 1,000 students of Chongqing's Yuzhou University poured into the city government compound to protest a neighboring chemical plant's poisonous gas emissions. The event calmed down after Xiao Yang, secretary of the Chongqing City CPC Committee, went to the school to talk with the students.

On 11 November the city government compound became unsettled again. More than a dozen taxis were stopped in a row outside the government compound to protest the imposition of an additional charge for high-road passenger transport services. On 14 November more than 30 taxis stopped outside the government compound to protest this decision.

Some people said: The fact that more people are lodging complaints and presenting petitions to the city government indicates that the people now dare to safeguard their own interests and address inquiries to the government. However, such mass gatherings in front of the government compound affect normal work order, traffic order, and law and order, so they should be checked and banned. It has been learned that the Chongqing City People's Congress Standing Committee is drafting a local law on demonstrations. Henceforth, such activities will be constrained to the limits of the law.

**Two Injured in 30 Dec Demonstration in Tibet**  
*HK0201042689 Hong Kong HONGKONG STANDARD  
in English 2 Jan 89 p 1*

[Text] Beijing—About 300 Tibetan students have demonstrated in Lhasa, calling on Chinese authorities to respect their culture and stop carrying weapons, Western witnesses said yesterday.

The demonstration, on Friday, was the first known protest led by students from Tibet University. Buddhist monks have been at the head of other protests occurring over the past 15 months.

During the march, Tibetans beat up five police officers who had tried to stop two Americans and one German from taking photographs, witnesses said. Two of the Chinese police were admitted to hospital, they said.

Later, the Americans and the German, all men, were detained for an hour at the Public Security Bureau, Western tourists said. Chinese fined two Americans 100 yuan (about HK\$200) each and confiscated their film, they said.

A Lhasa city ordinance prohibits foreigners from taking photographs of demonstrations.

A British tourist, contacted by telephone from Beijing, said the march began at 2 pm at the Potala Temple, one of Tibetan Buddhism's holiest shrines.

The demonstrators were carrying banners in Tibetan and Chinese, asking for less restriction on the study of the Tibetan language and more respect for Tibetan culture and religion, he said. In the past, particularly during the leftist 1966-76 Cultural Revolution, China suppressed Tibetan culture and language, but in recent years it has pledged to respect the Tibetan heritage.

Another banner requested that all Chinese in Tibet stop carrying firearms and treat Tibetans peacefully, he said.

The reference was to a pro-independence demonstration on Dec 10 when at least two Tibetans, including a monk and a child, were killed in Lhasa. A Dutch woman was among the 13 people wounded in the protest.

At least 38 people were killed in anti-Chinese demonstrations in March 1988 and in October 1987.

Tibetan activists seek independence from China's 38-year rule. China claims Tibet has belonged to Beijing since the 13th century.

Tibet's spiritual and temporal leader, the Dalai Lama, fled Lhasa in 1959 and sought refuge in India after an abortive anti-Chinese uprising.

An American said the marchers walked down the city's main road and around the city, passing several hotels frequented by foreign tourists. The protest ended an hour later at Tibet University.

Western witnesses said Chinese police videotaped the procession, especially the point when Tibetans beat up Chinese police who accosted the Americans and the German.

No arrests of Tibetans were witnessed.

The British tourist said he heard from Tibetan students that they had asked the police for permission to demonstrate.

"That was why they didn't go into the Jokhang Temple," he said, referring to the site of this month's bloodshed.

The university opened in 1985 as Tibet's first full-time institute of higher learning. Many of the students will become ranking officials in the local Chinese government, and there has been little student involvement in the anti-Chinese demonstrations that have rocked the remote mountain region.

**'Calm' After Demonstration**  
*HK0201043889 Hong Kong AFP in English*  
0417 GMT 2 Jan 89

[Text] Beijing, Jan 2 (AFP)—Lhasa was calm Monday, but with a conspicuous police presence on its streets, three days after an illegal demonstration by Tibetan students, a Western traveller there said.

The traveller, who witnessed Friday's protest, said it was staged by several hundred Tibet University students to demand greater use of the Tibetan language on their campus.

"They want to speak Tibetan at school, not Chinese," said the traveller, reached by telephone from Beijing.

He described Lhasa on Monday as calm, but added that he thought there was a significant police presence on the streets.

The traveller had witnessed the protest not far from Jokhang Temple, scene of a December 10 clash in which at least one person was killed when police opened fire at Tibetan demonstrators.

Tibet University has about 800 students, most of them Tibetans but with some Han Chinese as well. Courses are taught in the Chinese and Tibetan languages.

A spokesman for Tibet's regional government confirmed that the demonstration took place, describing it as "normal" but adding that it was unauthorized and illegal.

He denied a Western press report that some students fought with police after police tried to stop foreigners from taking photographs of the protest.

China officially says one Tibetan Buddhist monk was killed as police fired what the NEW CHINA NEWS AGENCY called "warning shots" at monks and civilians at the December 10 demonstration against Chinese rule in Tibet.

But several foreigners in Lhasa said police fired directly into the crowd, leaving at least two and perhaps as many as 20 dead.

Two earlier bloody demonstrations in Lhasa for Tibetan independence, in October 1987 and March 1988, left between 11 and 30 dead, and hundreds wounded, according to official and eyewitness accounts.

China has yet to respond to a proposal by the Dalai Lama, the Tibetan spiritual leader living in exile in India, for talks this month in Geneva on the region's political future.

### North Region

**Beijing Economic Development Statistics Released**  
SK3112125588 Beijing BEIJING RIBAO  
in Chinese 20 Dec 88 p 1

[Summary] According to data offered by the Beijing Municipal Statistical Bureau, the municipality's national income in 1988 was estimated at 28.2 billion yuan, higher than the 1987 figure of 23.62 billion yuan, the 1980 figure of 11.04 billion yuan, and the 1978 figure of 8.81 billion yuan. The GNP in 1988 was estimated at 39.3 billion yuan, higher than the 1987 figure of 32.68 billion yuan, the 1980 figure of 13.9 billion yuan, and the 1978 figure of 10.88 billion yuan. The total industrial and agricultural output value in 1988 was estimated at 49 billion yuan, higher than the 1987 figure of 41.67 billion yuan, the 1980 figure of 23.08 billion yuan, and the 1978 figure of 19.13 billion yuan. The total industrial output value (including the output value realized by industries at or below the village level) in 1988 was estimated at 46.78 billion yuan, higher than the 1987 figure of 39.51 billion yuan, the 1980 figure of 21.73 billion yuan, and the 1978 figure of 17.81 billion yuan. Also, the total agricultural output value in 1988 was estimated at 2.22 billion yuan, higher than the 1987 figure of 2.16 billion yuan, the 1980 figure of 1.35 billion yuan, and the 1978 figure of 1.32 billion yuan. The total foreign trade export value in 1988 was estimated at \$1 billion, higher than the 1987 figure of \$880 million, the 1980 figure of \$590 million, and the 1978 figure of \$290 million. The municipality was estimated to have received 1.2 million tourists in 1988, higher than the 1987 figure of 1.078 million tourists, the 1980 figure of 286,000 tourists, and the 1978 figure of 187,000 tourists. The municipality was estimated to have earned \$660 million in foreign exchange income from the tourist trade in 1988, higher than the 1987 figure of \$554 million, the 1980 figure of \$120 million, and the 1978 figure of \$59 million.

**Beijing Grain Districts Fulfill Purchase Targets**  
OW3012144288 Beijing XINHUA in English  
0835 GMT 30 Dec 88

[Text] Beijing, December 30 (XINHUA)—Beijing's 12 grain producing districts and counties have fulfilled their grain purchase targets this year.

By December 25, the city's grain purchase departments had purchased 347,000 tons of grain, according to today's "BEIJING DAILY".

Beijing harvested 2.3 million tons of grain in the year, making it the 10th good harvest year in succession. The average harvest per hectare amounted to 7.5 tons, a record high.

The bumper crops are the result of sustained efforts by local authorities to develop grain production. For example, rural industries have contributed more than 300 million yuan a year to support agriculture.

**Beijing's Secretary Li at Procurators Conference**  
SK0101123489 Beijing BEIJING RIBAO  
in Chinese 16 Dec 88 p 1

[Text] The municipal people's procuratorate held a municipal conference of chief procurators on 15 December. The conference stressed that antiembezzlement and antibribe taking are the key tasks for procuratorial organs throughout the municipality in their activities to deal blows to economic crimes.

Chief Procurator He Fangba said at the conference: Procuratorial organs at various levels throughout the municipality have achieved great results in their work against embezzlement and bribe taking over the past few years. Since 1982 they have investigated and handled 1,954 cases of embezzlement and bribe taking. Since the beginning of this year such cases amounted to 34.5 percent of all the economic cases they have investigated and handled. This showed that cases of embezzlement and bribe taking are still rather conspicuous in economic crimes.

Li Ximing, secretary of the municipal party committee, attended the conference to extend greetings to hardworking procuratorial cadres and policemen. He said: In the process of investigating and handling cases, procuratorial organs have encountered people who came to intercede for others, exert pressure, or make false countercharges. However, they have resisted the pressure; displayed a hardworking, selfless, honest, and strictly law-abiding spirit under difficult work conditions; and scored achievements.

Li Ximing stressed: Strengthening the legal system is an important link in the improvement of the economic environment and rectification of economic order. When doing this arduous work, procuratorial organs should fully perform their legal supervision function and orient their work to the needs for safeguarding and promoting the honesty of party and government organs, for improving democracy and the legal system and ensuring social stability and unity, and for improving the economic environment, rectifying economic order, and comprehensively deepening reform.

**Hebei's Xing Chongzhi at Rural Work Conference**  
*SK0501112589 Shijiazhuang HEBEI RIBAO*  
*in Chinese 13 Dec 88 p 1*

[Text] The provincial rural work conference, cosponsored by the provincial party committee and government, opened in Shijiazhuang on 12 December. Attending the conference were leading comrades of the provincial party committee, Advisory Commission, and government, including Xing Chongzhi, Yue Qifeng, Yang Zejiang, Liu Ronghui, Chen Yujie, Zhang Runshen, and Li Feng; secretaries of various prefectural party committees; commissioners of various prefectural administrative offices; deputy secretaries and vice mayors in charge of agricultural work from various cities; and principal responsible comrades of provincial departments concerned. Yue Qifeng, deputy secretary of the provincial party committee and governor, presided over the conference.

Li Feng relayed the guidelines of the national rural work conference. Xing Chongzhi, secretary of the provincial party committee, stressed at the conference that next year the entire party should attend to two great matters: One is to ensure that next year's price hikes should be notably lower than this year's. The other is to ensure a good agricultural harvest. This is a matter related to the overall situation. Leading comrades of the central authorities set forth that the key to developing agriculture depends on work in the following three fields: The first is to increase agricultural input. The second is to arouse peasants' enthusiasm with policies. The third is to rely on science and technology. Agriculture will be developed steadily if the work in these three fields is guaranteed. Next year we should really implement the work in these three fields to the letter. There are actually some difficulties in ensuring an increase in agricultural production, but there are some favorable conditions. It is necessary to expose difficulties. However, studying how to overcome these difficulties is even more important. All localities and departments should actually transform their thinking toward improving the economic environment and rectifying economic order as set forth at the 3d plenary session of the 13th party Central Committee; proceed from the overall situation to arrange the work for themselves; make the interests of the part submit to those of the whole; and actively bear difficulties, but never concede difficulties to others. This is a test for leaders of the units at various levels.

In his speech Vice Governor Zhang Runshen pointed out: The conference will concentrate on studying how to unify the thinking of the whole party to put agriculture in a position of extreme importance; how to further enliven agriculture, tap the internal potential of agriculture, and promote agricultural development; how to increase agricultural input and the production of chemical fertilizer, farm chemicals, and plastic film, improve supply methods for these capital goods, and have increasingly more supply of goods and materials for supporting agricultural development at reduced prices. Zhang Runshen also set

forth that the conference will conscientiously study the issues concerning strengthening leadership and firmly attending to implementation.

The 5-day conference will study and formulate specific policies and measures for reaping an agricultural harvest during the next year. Principal leading comrades of the provincial party committee and government will make summing-up speeches at the conclusion of the conference. Leading comrades of the provincial, prefectural, and city departments concerned and various county and township party committees and governments will be organized to hear the speeches through radios and televisions.

**Northeast Region**

**Heilongjiang Power Plants Overfulfill 1988 Plan**  
*SK0101115789 Harbin Heilongjiang Provincial*  
*Service in Mandarin 1000 GMT 31 Dec 88*

[Excerpts] Power plants and stations throughout the province prefulfilled their annual production plan by 4 days. By the morning of 27 December they had turned out 20.2 billion kilowatt hours [kwh] of electricity. At the beginning of 1988 the provincial Power Industry Bureau signed a contract on power production with the provincial people's government and then assigned production tasks to the plants and stations at all levels and earnestly organized them to check or repair their equipment. In 1988, 16 large boilers and 19 generators were overhauled and problems concerning gas leakage were handled. The technical situation in operation was improved obviously.

In order to deal with the fuel shortage problem, these plants and stations adopted very possible means to obtain 670,000 tons of coal outside the supply plan and vigorously grasped the capital construction of power production, which resulted in an increase of 1.33 billion kwh in power output. They also scored an increase of 960 million kwh in power output by accepting additional assignments. All of this has enabled them to prefulfill their annual production plan. [passage omitted]

**Heilongjiang's Sun at TV Anniversary Meeting**  
*SK0201050089 Harbin Heilongjiang Provincial*  
*Service in Mandarin 2200 GMT 31 Dec 88*

[Text] In publicizing the program of building the two civilizations, Heilongjiang Provincial Television Broadcast Station has scored achievements by taking concerted action on the central tasks of the provincial party committee and people's government.

The provincial television broadcast station was established on 20 December 1958. It was the third station in the country, with only the Shanghai and Beijing municipality stations preceding it. It was established in the same year as the country's central television broadcast station.

Over the past 30 years the provincial television station has continuously grown in strength. It has now become a provincial level central station with newscasts and comprehensive programming every day. Its coverage area reaches more than 80 percent of the total provincial population. It has begun broadcasting a large number of specialized programs and has increasingly upgraded its program's overall quality. Since 1984, 67 of its television news items have been commended by the national authorities.

On 31 December the provincial television station held a meeting at the main studio to mark the 30th anniversary of its founding. Leading comrades including Sun Weiben attended the meeting to extend their congratulations on that occasion. Comrade Zhou Wenhua addressed the meeting.

**Jilin Tops \$500 Million in Foreign Exchange**  
*SK0101114389 Changchun Jilin Provincial Service*  
*in Mandarin 1030 GMT 30 Dec 88*

[Summary] By 29 December this year our province topped \$500 million in foreign exchange earned from foreign trade and export, overfulfilling the annual target by 36.9 percent and showing a real increase of 7.1 percent over the past year.

**Jilin Secretary Discusses CPC Session's Spirit**  
*SK0201021389 Changchun Jilin Provincial Service*  
*in Mandarin 2200 GMT 29 Dec 88*

[Text] On the afternoon of 29 December He Zhukang, secretary of the provincial party committee, received leading comrades at or above the deputy chief level of provincial organs and veteran comrades who had retired from provincial organs and are currently in Changchun City.

During the reception He Zhukang delivered a speech to relay the spirit of the second plenary session of the fifth provincial party committee and to urge leading comrades at all levels throughout the province to make concerted efforts to struggle, to vigorously push forward the province's program of conducting reform and opening to the outside world by closely relying on the people of various nationalities throughout the province, and to promote the building of material and spiritual civilizations in the province while improving the economic environment and rectifying the economic order.

In his speech Comrade He Zhukang stated: The second plenary session was held under the situation in which the people throughout the province were earnestly implementing the spirit of the 3d Plenary Session of the 13th CPC Central Committee. During the plenary session participating members heard and approved the provincial party Standing Committee report with regard to clearly discerning the situation, uniting as one in waging the struggle, and making stable progress in improving the environment and rectifying order. They also discussed

and approved in principle the provincial party committee's decision on enhancing or improving ideological and political work and the province's strategy on economic, scientific and technological, and social development. The work done in the past year was also reviewed at the plenary session. Participating members summarized experience gained in reform and studied and made work arrangements for 1989.

In his speech Comrade He Zhukang pointed out: Over the past year the province has scored marked results in various undertakings thanks to mutual efforts exerted by all units from top to bottom. The current general situation is good. However, the province has encountered many difficulties while making progress and a large number of problems which have cropped up in work. This merits our high attention and efforts should be made to earnestly deal with these problems.

In his speech he stated: Tasks the province's cadres and the people face in 1989 are heavy and arduous. By implementing the spirit of the second plenary session, we should further study the theory of the 13th CPC Congress, orient the ideology of cadres and the mass onto the policy decision adopted at the 3d Plenary Session of the 13th CPC Central Committee, and to strive to wrest a new victory in 1989.

In his speech Comrade He Zhukang also wished the participating veteran comrades a happy new year and good health.

**Liaoning Reports Farmland Achievements**  
*SK0201033989 Shenyang LIAONING RIBAO*  
*in Chinese 11 Dec 88 p 1*

[Excerpt] Thanks to the first-phase 5-year activities to transform low- and medium-yield farmland, with improving waterlogged land, sinking wells, and planting paddy rice as the major aspects, the more than 2 million mu of seriously waterlogged and saline-alkali land in the central plain area of our province has become high- and stable-yield farmland, thus putting an end to the history of "suffering serious waterlogging when there was heavy rain and minor waterlogging when there was little rain, reaping poor harvests, and earning meager incomes."

In our province's central plain area, where 50 percent of our cultivated land is located, as much as 16 million mu was low- and medium-yield farmland with a per-mu yield of less than 300 kg, and more than 3 million mu of the land was waterlogged. In a province where there is relatively little cultivated land, we had to fundamentally improve production conditions of low-yield land in this area; improve the dry, waterlogged, and alkali land in a comprehensive manner, and develop, in blocks and at different times, farmland that ensures high and stable yields despite drought and excessive rain in order to bring our province's grain production up to a new stage. For this purpose the provincial party committee and government decided to allocate 20 million yuan every

year from the funds for small water conservancy works to improve comprehensively low- and medium-yield farmland beginning in 1984. As soon as this strategic policy decision, which reflected the basic interests and demands of peasants, was made, it attracted great attention of governments at various levels, and won the universal support of peasants. A powerful force for production then formed rapidly. In the past 5 years, 280 million yuan (of which 99.56 million yuan came in the form of state subsidies) was invested to sink 11,761 wells; develop 2.07 million mu of new paddy fields, which represented a 38-percent increase over the plan; and build 91 well-irrigated plots covering more than 10,000 mu each. In this way, the situation of the waterlogged and saline-alkali land in the central plain area of our province, which was characterized by low yields and low income, was changed once and for all.

The investment has turned out tremendous economic results and social benefits. The 2.07 million mu of transformed waterlogged and saline-alkali land has increased its per-mu yield steadily from 250 kg to 475 kg. The accumulated increase of paddy rice in the 5 years totaled 2.9 billion kg. Compared with the period when dry land crops were planted, 1.4 billion kg more grain were reaped. Beginning this year, the annual increase of paddy rice will be 960 million kg, that of grain 455 million kg and that of income 210 million yuan as compared with the period before the land transformation started. The increased amount of grain is equal to an increase of 1.51 million mu of medium-yield farmland. [passage omitted]

**Liaoning's Quan Presents Medals to Policemen**  
SK0301123989 Shenyang Liaoning Provincial  
Service in Mandarin 1030 GMT 28 Dec 88

[Text] The provincial Armed Police Force sponsored a grand ceremony at its auditorium on 28 December to confer medals to its retired veteran cadres.

When Quan Shuren, secretary of the provincial party committee, decorated a glittering medal on Huang Renlin, former commander of the provincial Armed Police Force, in honor of his contributions to the country's independence, the ceremony's hall resounded with warm applause.

Receiving medals at the ceremony were 236 retired cadres of the provincial Armed Police Force. Of these cadres, 15, including Huang Renlin, received the honorary medals in honor of their contributions to the country's independence; and 221, including Fan Shouyi, received PLA honorary medals in honor of their contributions to battle victories. Of these veteran comrades, some took part in the anti-Japanese war or the liberation war and made immortal contributions amid gunfire and smoke to the people. After the founding of New China they overlooked hardship in standing on the forefront of protecting the safety of the country and the people. In particular, since the establishment of Armed Police

Forces, they have laid a solid foundation for the building of Armed Police Forces through vigorous efforts to make the country prosperous and by taking infinite pains and arduously doing pioneering work, and made marked contributions to protecting the building of the four modernizations. In conducting important reforms in the cadre system, they have created a lot of outstanding conditions for training a large number of new successors by taking the whole situation into consideration, displaying their noble character and sterling integrity, and engaging in national rejuvenation.

Attending the ceremony were leading comrades including Quan Shuren, secretary of the provincial party committee; Sun Qi, deputy secretary of the provincial party committee; Li Changchun, governor; Zhu Jiazhen and Chen Suzhi, vice governors; Zhang Tiejun and Zuo Kun, vice chairmen of the provincial People's Congress; Major General Liu Dongfan, political commissar of the provincial military district; and Zhang Guoguang, acting secretary of the Shenyang City Party Committee. The national Armed Police Force headquarters sent a congratulatory message to the ceremony. Ceremonies on conferring honorary medals to the retired police cadres were simultaneously held in the cities of Dandong, Dalian, Fushun, and Jinzhou.

### Northwest Region

**Gansu Province Acts To Improve Grain Output**  
OIW0201104089 Beijing XINHUA in English  
0918 GMT 2 Jan 89

[Text] Beijing, January 2 (XINHUA)—The Gansu provincial government has decided to increase its investment by 60 million yuan in agricultural production next year, "PEOPLE'S DAILY" reported today.

The total grain output in Gansu reached 5.75 million tons in 1988, an increase of 500,000 tons more than that of 1987, and its total agricultural output value is five billion yuan.

The yield of economic crops in the province had fulfilled the 1988 targets and the commodity agricultural products came to 40 percent.

More than 6.5 million people have got out of the impoverished living conditions and the proportion of the households living in impoverished conditions to the total has declined to 20.61 percent in 1988 from 34 percent in 1986.

However, the basis of grain production in Gansu is still weak, according to Li Zhiqi, Communist Party secretary of the Gansu provincial committee.

Gansu has to ship in about 500,000 tons of grain from other provinces each year to make up its food shortage, Li said.

To boost its grain output, the provincial government recently decided to set the account of agricultural development funds which will be withdrawn from its total funds of outside budget by one percent, while 80 percent of extra income from taxes levied on the rural industry will be invested in agricultural production.

The province will collect funds from grain businesses to support the popularization of farming techniques.

All the funds from farmland-using taxes and 80 percent of taxes levied on forestry and aquatic products as well as on private enterprises and self-employed businesses in rural areas will be put in farm production.

The provincial government has also taken measures to promote its output of chemical fertilizer and plastic film in 1989.

**Shaanxi Secretary on Separating Party, Government**  
*HK3112055888 Xian Shaanxi Provincial Service*  
*in Mandarin 0030 GMT 30 Dec 88*

[Excerpts] While Zhang Boxing, provincial party committee secretary, was conducting investigation and study in Baoji recently, he stressed: At present it is necessary to explore a specific method of separating the functions of the party from those of the government. The party must lay emphasis on the system and target. From the plane of theory, the ruling party must give macroeconomic guidance to the present economic work.

Zhang Boxing said: Party functions should be unswervingly separated from those of the government and the party must give play to its independent role of guarantee and supervision from start to finish. In an enterprise, even if the posts of the secretary and factory director are shouldered by one person, the party committee must give play to its role of guarantee and supervision. The so-called guarantee and supervision here does not refer to the role of guarantee and supervision of any individual person but to the role of the collective guarantee and supervision of the party committee. The provincial authorities have come to understand that at present, the activities of party grass-roots organizations of a small number of places [words indistinct]. Party activities must be systematized and the target management responsibility system must be implemented. [words indistinct] and party members must be regularly checked.

He especially emphasized: All systems which have been formulated in the light of realities must be strictly implemented to ensure that there are regulations which can be followed and that the responsibility of those who violated the regulations must be investigated and affixed. [passage omitted]

Zhang Boxing also said: As a ruling party, the party must exercise high-level leadership. The party's work cannot be divorced from [words indistinct] and must not be involved in specific routine work; otherwise, party leadership role will be weakened.

From 22 to 28 December Zhang Boxing went to 5 counties and districts and 5 enterprises of Baoji City one after another. He took only 6 days to conduct on-the-spot investigation of social and economic development and other aspects of work in Baoji. He affirmed the experiences of Longxian, Qianyang, and Baoji [words indistinct] factory in the work of the party and government. [passage omitted]

After inquiring about Baoji City's situation in improvement and rectification, Zhang Boxing said: It is imperative to correctly handle relations between improvement and rectification and reform and development. We must concentrate our forces on improvement and rectification and curtail inflation caused by the previously overheating economy. We must pay attention to developing urban collective enterprises and township and town enterprises which produce products in short supply on the market. We must not curtail everything to dampen the slight tendency toward the commodity economy which has been established over the past few years.

**Shaanxi Province Cuts Fixed Assets Investment**  
*OW3112073488 Beijing Domestic Service in Mandarin*  
*1030 GMT 26 Dec 88*

[Text] While reviewing and curbing the scale of investment in fixed assets, Shaanxi Province has successfully carried out the work by paying attention to reversing three undesirable trends. That is, reversing the trend of curbing only those projects that have not started and not those already under construction; reexamining only projects financed by the state and not those financed by collectives; curbing only projects covered by the plan and paying no heed to those outside the plan.

Previously Shaanxi decided to cancel or suspend 69 projects for office buildings, auditoriums, and guesthouses requiring an investment of about 5 billion yuan. However, the provincial government's decision met some resistance in the course of its implementation. Units and departments concerned, using all sorts of excuses, asked the governor and the provincial Planning Commission to spare their projects.

Governor Hou Zongbin pointed out: If we do not make up our mind and cut a number of projects under construction, it will be difficult to solve the problems of inflation and financial shortages across the province, and bringing price increases under control will be empty talk. The provincial government, while stressing the interests of the whole nation and carrying out education about the situation, has organized inspection groups all over the province to conduct on-site inspections and supervision in the various prefectures, cities, and counties, firmly cut

those projects under construction that competed with large industrial enterprises for raw materials and energy, and stopped immediately those projects not included in state or local government plans that were launched without authorization. At the same time, measures have also been taken to resolutely curb projects undertaken by collectives. By late December the province had suspended or postponed nearly 60 projects under construction and cut more than 100 projects not included in the plans or financed by collectives. All together, the province had cut investment in fixed assets by 500 million yuan.

**Xinjiang Fulfills Iron, Steel Output Quotas**  
*HK0301120189 Urumqi Xinjiang Regional Service*  
*in Mandarin 1230 GMT 28 Dec 88*

[Excerpt] Up to yesterday Xinjiang's iron and steel works had fulfilled this year's output quotas, producing 340,000 tons of iron, 265,000 tons of steel, 205,000 tons of rolled steel, and 575,000 iron ore, all increasing by a wide margin over the previous year. Despite the short supply of electricity and price increases of raw materials and fuel, the iron and steel works implemented the contract responsibility system and relied on deepening reform to offset unfavorable factors. [passage omitted]

**Problems Reported in Xinjiang Supply, Demand**  
*HK0301072789 Urumqi Xinjiang Regional Service*  
*in Mandarin 1230 GMT 29 Dec 88*

[Text] The year 1988 is drawing to a close. How has the market situation in the region been this year? A report filed by a station reporter points out that the region's sales volume has increased but the contradiction between gross social supply and demand still remains acute. This year the region has registered a commercial sales volume totaling 5.4 billion yuan as well as taxes and profits of 328 million yuan, the highest records in history. There have been occasional market fluctuations in the region, but on the whole the market has thrived.

The sales volume increase has been the result of the following two points: First, commercial enterprises in the region have further deepened their reform and brought their employees' initiative into play. According

to an estimation, 215 large and medium-sized enterprises in the region are operating under the contract system, 74 percent of the total number of large and medium-sized enterprises throughout the region. With regard to small commercial enterprises, 2046 of them are undertaken by contract, 72.8 percent of the total. Second, enterprises have been able to improve their economic results. During the wave of panic buying in July and August, some shops were able to fulfill the annual tasks set by the contracts. Many shops took advantage of the panic buying to sell their slow-selling goods that had been in stock for years.

Main problems in the market this year are as follows: First, social demand has been too excessive, thus leading to a big gap between gross social demand and supply. Second, the variety of products has not increased and there has been a drop in the reserve of goods in some commercial departments, thus giving rise to the shortage of some daily necessities. Third, departments in charge of commerce are lacking effective macroregulatory means to control prices and stabilize the market, thus affecting the normal market order in the region.

**Xinjiang Exports Machinery to Pakistan**  
*HK0301031789 Urumqi Xinjiang Regional Service*  
*in Mandarin 1230 GMT 30 Dec 88*

[Text] At 1000 today a heavy-duty truck motorcade, loaded with road-building machines, slowly drove out of Xinjiang Machinery Shipping Company. This was the first time China has exported large-sized road-building equipment to Pakistan by truck through Kunjirap Daban.

According to the responsible person of the machinery import-export company under the regional Foreign Trade Department, the exporter of these machines, the region used to export machinery to west Asia by ship in the past and therefore was subject to many restrictions in term of transport facilities. Now the completion of the China-Pakistan highway reconstruction project has opened the region's gate to the west wider. The value of the above-mentioned road-building equipment export alone totals \$1.3 million, exceeding the total volume of the region's exports of machinery and electrical products since 1980.

**More on 'Taiwan Compatriots Message' Anniversary**

**Fuzhou Forum Held**

OW0301110389 Beijing in Mandarin to Taiwan  
1500 GMT 29 Dec 88

[Excerpts] Some 100 people from all walks of life in Fujian Province held a forum in Fuzhou this morning to mark the 10th anniversary of the publication of the NPC Standing Committee's Message to Taiwan Compatriots. [passage omitted]

Those who spoke at the forum strongly called for promoting exchanges and mutual understanding between the two sides of the Taiwan Strait, facilitating the flow of the people's feelings across the strait, and enhancing the common understanding of the need to achieve a peaceful reunification of the motherland and to rejuvenate China.

Cheng Xu, chairman of the Fujian Provincial People's Congress Standing Committee, presided over the forum. Governor Wang Zhaoguo addressed the meeting.

He said: We sincerely hope that the exchanges between Fujian and Taiwan will be further increased, and direct postal, shipping, and trade links be established. We hope that Taiwan authorities will lift unreasonable restrictions and let compatriots travel freely across the Taiwan Strait. We hope that the two provinces will establish direct cooperative relations in the economic, trade, scientific, technological, and cultural fields; benefit each other; and make progress together.

**Further on Beijing Forum**

OW3112024888 Beijing Domestic Service  
in Mandarin 1030 GMT 30 Dec 88

[Excerpts] The 1 billion people of various nationalities on the mainland miss the Taiwan compatriots even more when it is time to ring out the old year and ring in the new. They hope for early reunification of the motherland. This is a common wish expressed by representatives participating in a forum held in Beijing this afternoon to mark the 10th anniversary of a Message to Compatriots on Taiwan sent by the NPC Standing Committee. The forum was presided over by NPC Vice Chairman Peng Chong.

Wu Xueqian spoke at the forum. He extended lofty regards and festival greetings on behalf of the CPC Central Committee and the State Council to Taiwan, Hong Kong, and Macao compatriots; Overseas Chinese; and all friends who are interested in the reunification of the country. [passage omitted]

Attending the forum were leading comrades including Ding Guangen, Yan Mingfu, Xi Zhongxun, Ngapoi Ngawang Jigme, Banqen Erdini Qoigyi Gyancan, Zhou Gucheng, Yan Jici, Lei Jieqiong, Gu Mu, Kang Keqing, Zhou Peiyuan, Qu Wu, Cheng Siyuan, and Wang Feng;

responsible persons from relevant party, government, and military departments; some NPC Standing Committee members and CPPCC Standing Committee members living in Beijing; responsible persons of the central committees of various parties; people with no party affiliation; and responsible persons of relevant mass organizations, totaling more than 300 people.

**Direct Business Ties Urged**

OW3012133488 Beijing XINHUA in English  
1054 GMT 30 Dec 88

[Text] Beijing, December 30 (XINHUA)—Industrial and commercial walks of the mainland are looking forward to establishing direct business relations with those of Taiwan, Vice-Chairman Rong Yiren of the Standing Committee of the National People's Congress said today.

As the indirect trade between the straits has developed rapidly in the recent years, to establish direct business relations has become a strong demand of entrepreneurs on both sides, said Rong, concurrently chairman of All-China Federation of Industry and Commerce.

Speaking at a meeting marking the tenth anniversary of the "Message to Compatriots in Taiwan", the distinguished entrepreneur said that although some capital from Taiwan has been invested in the mainland's coastal areas, the scale is far from what the both sides anticipate.

Rong hoped that industrial and commercial walks in Taiwan will send delegates to the mainland to jointly discuss the possibility of cooperation as well as to "talk about old friendships and make on-the-spot investigations".

Taiwan entrepreneurs are welcome to visit the mainland or see their families and friends, Rong said. The important thing is to "sit together, exchange opinions and promote mutual understanding."

"Message to the Taiwan Compatriots" has marked a new era for resolving the Taiwan issue peacefully, Rong said, adding that the ultimate goal is yet to be realized through practical endeavor by both sides on the straits.

**Scientific Exchanges Discussed**

OW3012133288 Beijing XINHUA in English  
1057 GMT 30 Dec 88

[Text] Beijing, December 30 (XINHUA)—All scientific laboratories under the Chinese Academy of Sciences and universities on the mainland are open to scientists from Taiwan, said a leading Chinese scientist here today.

Addressing a gathering marking the tenth anniversary of the issuance of a "Message to Compatriots in Taiwan" sent by the Standing Committee of the National People's Congress, Professor Lu Jiaxi, former president of Chinese Academy of Sciences, said that with the rapid

progress of science and technology around the world, scientists from both sides of the Taiwan Strait must strive for a closer collaboration in order to excel in the fierce international competition.

As a native Taiwanese, Lu said that he was looking forward to an earlier end to the confrontation and a free flow of people across the strait.

Lu invited scientists from Taiwan to work at Beijing Institute of High Energy and Lanzhou Institute of Modern Physics under the academy where China's two biggest particle accelerators are located.

At present, physicists in Taiwan are building a synchrotron radiation device. "Why couldn't we build the machine together," he suggested.

Lu also invited scientists from Taiwan to come and work at Fujian Institute of Matter Structure, a mainland institute located most closely to Taiwan.

"Scientific exchanges and collaboration from both sides of the strait will promote the prosperity of science in China," he remarked.

#### Visitors to Mainland Invited

OW3012132788 Beijing XINHUA in English  
1246 GMT 30 Dec 88

[Text] Beijing, December 30 (XINHUA)—A dozen well-known figures from Taiwan have been invited to visit the mainland next year.

The invitations, issued by Lin Liyun, chairwoman of the All-China Federation of Taiwan Compatriots, and Cai Zimin, leader of the Taiwan Democratic Self-Government League, here today were extended to Writer Chen Yingzhen, journalist Wu Sanlian, and leaders of political organizations Yu Dengfa, Huang Xinjie, Kang Ningxiang, Qiu Lianhui, Wang Yixiong, Luo Meiwen, and Chen Dingnan.

In addition, sports leaders Zhang Fengxu, Ji Zheng, and Yang Chuanguang were also invited to visit the mainland and organize delegations to participate in international sports events held on the mainland next year and the 11th Asian games to be held in Beijing in 1990.

These invitations were made at a gathering marking the tenth anniversary of the publication of the "Message to Taiwan Compatriots" sent by the Standing Committee of the Chinese National People's Congress.

#### More Cultural Exchanges Welcomed

OW3012134388 Beijing XINHUA in English  
1257 GMT 30 Dec 88

[Text] Beijing, December 30 (XINHUA)—Artists and writers on the Chinese Mainland want to have more cultural exchanges with their counterparts in Taiwan, said Vice-Minister of Culture Ying Ruocheng here today.

Exchanges between Taiwan and mainland Chinese literary and art circles through any channels are welcome, Ying said on behalf of the mainland's cultural figures.

At a ceremony marking the tenth anniversary of the "Message to Compatriots in Taiwan", the vice-minister said more cultural interchanges have been taking place over the past few years.

More and more compatriots in Taiwan have been visiting the mainland for cultural activities, Ying said.

Over 20 singers from Taiwan have received enthusiastic welcomes from mainland audiences, the vice-minister said, and Taiwan authors have also gained a following among mainland readers.

What is more, he said, much progress has been made in movie and TV film exchanges.

The vice-minister cited earlier gatherings of musicians and performing artists from the two sides of the Taiwan Strait in New York and Hong Kong as further examples of such direct contacts.

The Taiwan authorities should further relax their controls and restrictions to pave the way for more free mutual visits between the two sides, Ying Ruocheng urged.

#### Hope Expressed for KMT Contacts

OW3012134288 Beijing XINHUA in English  
1318 GMT 30 Dec 88

[Text] Beijing, December 30 (XINHUA)—Zhu Xuefan, chairman of the Central Committee of the Revolutionary Committee of the Chinese Kuomintang, said here today that his party hopes to contact the KMT in Taiwan to have dialogues and exchange views so as to promote understanding.

"We are willing to meet them either on the mainland or in Taiwan, or at any other place mutually agreed in their personal capacity or on behalf of their parties," the chairman said.

Zhu, also vice-chairman of the NPC Standing Committee, made these remarks at a commemoration meeting here on the tenth anniversary of the release of the "Message to the Taiwan Compatriots".

Zhu said that the "Message to the Taiwan Compatriots" released ten years ago by the Chinese National People's Congress Standing Committee marked a historical turning point for the relations between both sides of the Taiwan Straits, beginning to breach the decade-long confrontation along the straits.

However, he said, the Taiwan authorities still have doubts, hesitate about what move to make and their pace is slow.

"Many of of the KMT members in Taiwan are our friends, relatives and schoolmates," Zhu noted, adding that "we will provide easy accesses to them if they want to come to visit the mainland."

Meanwhile, many people on the mainland and members of his party would like to visit their relatives and friends in Taiwan. He expressed the hope that the Taiwan authorities will comply with the will of the people and permit free travel across the straits at an earlier date.

Finally, Zhu invited his old friends in Taiwan to visit the mainland on behalf of the Central Committee of the Revolutionary Committee of the Chinese KMT and himself. "We'll surely accord them warm reception," he said.

**Taiwan Democratic League Forum**  
OW0301012589 Beijing in Mandarin to Taiwan  
1500 GMT 30 Dec 88

[Text] The Taiwan Democratic Self-Government League Central Committee, the All-China Federation of Taiwan Compatriots, the Taiwan Fellow-Students Association, the Beijing Municipal Committee of the Taiwan Democratic Self-Government League, and the Beijing Municipal Federation of Taiwan Compatriots jointly sponsored a forum on the morning of 30 December to mark the 10th anniversary of a Message to Compatriots on Taiwan.

Cai Zimin, chairman of the Presidium of the Central Committee of the Taiwan Democratic Self-Government League, presided over the forum. He said: Over the past decade, relations between the two sides of the Taiwan Strait have undergone tremendous changes and moved from confrontation to relaxation. Since the Taiwan authorities lifted the ban on family visits to the mainland in November of last year, a total of 380,000 Taiwan compatriots have visited the mainland. All this explains the active role played by the Message to Compatriots on Taiwan in improving relations between the two sides of the Strait.

In her speech, Lin Liyun, president of the All-China Federation of Taiwan Compatriots, urged people in various circles on Taiwan to show greater enthusiasm and concern for the promotion of the motherland's peaceful reunification, and continue cooperation and exchange in various fields on a deeper and extensive

scale with the people on the mainland in the economic, culture, sports, science, technology, and other areas. She expressed the wish to greet the arrival of the 1990's in her native place in Taiwan next year.

Wu Ketai, member of the Presidium of the Central Committee of the Taiwan Democratic Self-Government League, said: The people on the other side of the strait are our flesh and blood. Old scores from decades ago should be forgotten. He expressed the hope that the Taiwan authorities will proceed from the Taiwan compatriots' vital interests in opening up two-way direct trade and establishing air, postal, transport, and trade relations as soon as possible to contribute to national reconciliation.

Many speakers appealed to the Taiwan authorities to allow veteran soldiers of Taiwan origin to return home as soon as possible. They also aired views on how to accelerate the mainland's political and economic reforms and build up national strength.

**CPPCC Forum Held**  
OW0101212789 Beijing XINHUA Domestic  
Service in Chinese 1528 GMT 31 Dec 88

["Local Broadcast News Service"]

[Text] Beijing, 31 Dec (XINHUA)—Members of the Committee for Reunification of the Motherland of the CPPCC National Committee and the China Association for Advancement of Peaceful Reunification held a forum at the auditorium of the CPPCC National Committee this afternoon to commemorate the 10th anniversary of the "Letter to Compatriots in Taiwan" by the NPC Standing Committee.

The forum was presided over by Qian Weichang, vice chairman of the CPPCC National Committee, chairman of the Committee for Reunification of the Motherland of the CPPCC National Committee, and co-chairman of the China Association for Advancement of Peaceful Reunification.

On behalf of the Advancement Association and the Committee for Reunification of the Motherland, Cheng Siyuan, vice chairman of the CPPCC National Committee, vice chairman of the Committee for Reunification of the Motherland of the CPPCC National Committee, and co-chairman of the China Association for Advancement of Peaceful Reunification, extended New Year's greetings to the comrades participating in the forum. Cheng Siyuan said he is full of hopes for the peaceful reunification of the motherland. He said: Let people in all circles at home and abroad unite together, and pool the great wisdom of the Chinese nation to jointly create a prosperous, rich, strong, peaceful, democratic, and unified China.

**ZHONGGUO XINWEN SHE Commentary**  
HK3112055788 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1030 GMT 27 Dec 88

[Commentary by ZHONGGUO XINWEN SHE reporter Wang Jie (3769 2212): "Although the Weather Has Got Warmer With the Passing of Winter and the Arrival of Spring, It Is Still Cold—On the 10th Anniversary of the Publication of the 'Letter to Taiwan Compatriots'—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 27 Dec (ZHONGGUO XINWEN SHE)—The past decade represents only an insignificant step in the long process of the history of the Chinese nation. However, as concerns the two sides of the strait, which have been artificially separated, they have taken a big, extraordinary step of improvement.

On New Year's Day of 1979, in keeping with the development in the international and domestic situations and the aspirations of the people on both sides of the strait, the mainland side issued a "Letter to Taiwan Compatriots," announcing a major principle or policy of striving for the peaceful reunification of the motherland and putting forward the idea of achieving communications through mail, trade, and transport at an early date, thus laying a foundation and opening up a new situation for new developments in the reunification of China.

Since then, the mainland side has constantly supplemented and improved this principle or policy. It has made public one after another the "nine-point proposal" and the "six-point concept," as well as the relevant talks of some leaders, to the effect that the Kuomintang [KMT] and the CPC hold talks on an equal basis and carry out cooperation for the third time; that following the reunification of the state, Taiwan may enjoy a high degree of autonomy as a special administrative region; that the concept of "one country, two systems" should be practiced, with Taiwan's existing social and economic systems remaining unchanged, and so on. In order to implement this principle, the mainland side has also adopted a series of practical actions to dispel hostility and to relax the atmosphere, such as ceasing the shelling of Jinmen and other islands, suspending hostile propaganda, and working out various regulations involving exchanges between the two sides of the strait.

The mainland's actions, which conform to the trend of the times and comply with the wishes of the people, are bound to produce reactions on the island. The common people, unable to bear the bitterness of a long-standing split, have voiced the aspiration that "kith and kin should be reunited"; farsighted people, who are concerned about the country and the people, have gone around campaigning for the cause of "turning swords into plowshares"; people in the political circles, who are anxious for peace, have taken advantage of this opportunity to put forward proposals to urge the authorities. In short, voices calling for the "abolition of enmity," "three communications," the abolition of the "Three No's"

policy," and the formulation of an open "mainland policy" can be heard continuously. Moreover, some people with remarkable courage and insight "personally explored the way" long ago, "trying to be the first to run." As far back as in the early 1980's, there were numerous examples of people who ventured to go secretly to the mainland to look for their roots, visit relatives, and seek the opportunity to do business. The people long for peace and it is difficult to curb the popular will. All this has shaken the fence separating the people between the two sides of the strait.

Approaching the end of the 20th century, the international situation is changing, and so are the mainland's policy toward Taiwan and the popular feelings on both sides of the strait. In the face of these strong pressures, there have also been changes in the "mainland policy" of the Taiwan authorities. Formerly, the Taiwan authorities wanted to use the "Three No's" policy (no contact, no negotiation, and no concession) to deal with the "three communications" and to stall for time by the method of "coping with shifting events by sticking to a fundamental principle." However, the "Three No's" policy has been vehemently opposed by the whole island and the people on both sides of the strait; the "unchanged" principle violating the historical law has all the more proved unfeasible in practice. Therefore, on the one hand, the Taiwan authorities have stubbornly upheld the stand of opposing communism and rejecting peace, and, on the other hand, they have put forward a principle of "coping with shifting events with changes," "changing some things and leaving some others unchanged." Recently, the Taiwan authorities again raised the slogan of "coping with shifting events by blazing new trails." After eventually recognizing that "the times are changing and so are the environment and the trends," the Taiwan authorities have adopted measures for "coping with the shifting events."

They have lifted the "martial law," which has been in force for 38 years; lifted the ban on people visiting relatives on the mainland; lifted the ban on compatriots from the mainland visiting sick relatives and attending family funerals in Taiwan; and allowed the Red Cross to transmit letters for people between the two sides of the strait. Undoubtedly, these practices have made it convenient for both sides to contact each other.

The situation in the strait has been gratifying and optimistic. The "tides of family visits" involving 200,000-300,000 people have poured from the other side wave after wave. After making the round on the Pacific, the first "family visit ship," filled with homesickness that "is ununloadable," has been to this side of the strait; invaluable family letters have been flying to and from over the strait in large numbers; between 100-200 reporters, writers, academicians, and artists from Taiwan have been to the mainland to conduct cultural exchanges; entrepreneurs have constantly come and gone on business trips; a "strong investment interest" from the island's investors has emerged in some parts of the mainland; the volume

of indirect trade has shot up, an average growth rate of 2,730 percent over the past decade; nongovernmental organizations promoting peaceful reunification have constantly cropped up on both sides of the strait; and the media on both sides have reduced enmity by liberally reporting conditions on the other side.

To sum up, the situation on the strait has the following three features: 1) Nongovernmental contact between the two sides of the strait has turned from a small stream into an irresistible, general trend of events and a main stream; 2) contact between the two sides of the strait has broken away from the scope of family reunion and extend to the length and breadth of society at all levels, fields, and trades, thus enabling the official quarters on both sides to reach "indentification" on certain specific issues and make "corresponding" moves; and 3) frequent exchanges of economic relations and trade, with each supplying what the other needs on a mutually beneficial basis, will inevitably link together the economic interests of the people on both sides of the strait.

The "mainland policy" of the Taiwan authorities has been relaxed from time to time and the situation has constantly eased. However, because the Taiwan authorities still stubbornly cling to the anticommunist stand and the "Three No's" policy and harbor the mentality of opposing and hating communism, they attempt to keep the situation within this scope, namely, "allowing ships to ply across the strait without being open to navigation," "having correspondence without opening postal communication," "exchanging goods without having trade relations," allowing one-way instead of two-way flow of people, relaxing controls over people going to the mainland, and tightening controls over people coming to Taiwan. This concealed, awkward practice has obstructed the progress of nongovernmental flow between the two sides and the pace of peaceful reunification. In recent days, some people from the Taiwan authorities claimed that they wanted to conduct what they called "flexible diplomacy" and to develop official relations with some countries that had established diplomatic relations with the mainland. This actually creates "two Chinas" and "one China, one Taiwan," violates its repeatedly stated stand that "there is only one China," and is detrimental to China's reunification.

Some people say that "peaceful reunification is an arduous political project." This remark is correct. It cannot be denied that over the past decade the two sides have laid a foundation for this project. However, the completion of this project still requires the concerted efforts of the peoples on both sides of the strait, the ruling parties on both sides, all political parties and groups, and people from all walks of life.

In reviewing the situation in the strait over the past decade, it is quite appropriate to describe it with these words: "Although the weather has got warmer with the passing of winter and the arrival of spring, it is still

cold." This is because, despite the fact that people are aware of the passing of winter and the arrival of spring, the weather is still cold in early spring.

#### XINHUA 'Roundup'

OW2812194988 Beijing XINHUA in English  
1542 GMT 28 Dec 88

["Roundup: Decade of Increasing Relaxation Across Taiwan Strait"—XINHUA headline]

[Text] Beijing, December 28 (XINHUA)—From January 1, 1979, Quemoy and other Kuomintang-ruled islands in the Taiwan Strait have been free from the decades-old routine bombardment.

The Chinese Government ordered the People's Liberation Army to stop the bombardment as from that day when the Standing Committee of the National People's Congress sent a "goodwill message to compatriots in Taiwan," calling for a peaceful reunification of China.

The 10 years that followed have been a decade of remarkable changes in the relations between the two sides of the Taiwan Strait: Military confrontation has been replaced by relaxation and complete separation has given way to an increasing number of people-to-people exchanges. Although the Taiwan authorities are still placing obstacles on the road to further improvement, the situation is irreversibly changing for the better.

Now, an average of 200 ships from various countries, including many from the mainland and Taiwan, pass through the Taiwan Strait every day. From 1979 to 1984 alone, 20,000 ships from the mainland cruised the strait safely.

Meanwhile, boats from both sides are reportedly navigating along six unofficial routes between mainland and Taiwan ports.

Some coastal provinces have built a number of reception centers for Taiwan compatriots who come to take refuge from storms, repair boats and conduct trade.

But in the past two months, unfortunately, Taiwan gunboats have repeatedly fired at and injured mainland fishermen—actions out of keeping with the times.

However, a groundswell of support for mainland visits is prevailing among Taiwan compatriots. Since November 2, 1987 nearly 400,000 Taiwan residents have come to the mainland either to visit relatives and friends or for sightseeing.

What's worth mentioning is that on November 9 the Taiwan authorities lifted the ban on mainlanders' visits to their ailing relatives or for attendance at the funerals of their deceased family members in Taiwan. Although unreasonable restrictions are still being applied, this signifies the beginning of a two-way personnel exchange.

Academic, cultural and sports exchanges are also developing as Taiwan painters, writers, scholars, singers and chess players travel to the mainland in ever-increasing numbers. [Words indistinct], ignoring the Taiwan authorities' prohibition, came to cover the 13th National Congress of the Chinese Communist Party as well as important sessions of the National People's Congress and the Chinese People's Political Consultative Conference.

Exchanges of publications are also on the rise. According to figures released by Taiwan, 50 Taiwan publishing houses have reprinted and published more than 10,000 mainland literary, historical and philosophical books.

On the mainland, at least 30 publishing houses printed works by Taiwan authors in 1987, and of all the 8,000 types of books on show at a book fair held in Shanghai last October, 3,000 were from Taiwan.

The last decade has also witnessed indirect bilateral trade. According to the Ministry of Foreign Economic Relations and Trade, the interport trade via Hong Kong between the mainland and Taiwan concluded a volume of about eight billion U.S. dollars-worth in the last 10 years.

The annual trade volume has risen from 77 million U.S. dollars in 1977 to 2.4 billion U.S. dollars this year, showing an increase of nearly 30-fold. This achievement has made the mainland Taiwan's fifth-largest trading partner and Taiwan the mainland's sixth-largest.

Meanwhile more and more Taiwan investors have turned their attention to the mainland. This year, Taiwan compatriots invested 400 million U.S. dollars in over 300 projects on the mainland.

Following the [words indistinct] State Council's regulations for encouraging investment by Taiwan compatriots last July, the bilateral trade and investment began to turn gradually from indirect to direct.

During this period, the mainland worked out some concrete proposals for China's reunification. In 1981, Ye Jianying, the late chairman of the Standing Committee of the National People's Congress, put forward nine policies. In 1984, senior Chinese leader Deng Xiaoping put forward the concept of "one country, two systems."

Because of the long-standing efforts by people on both sides of the Taiwan Strait, encouraging changes of far-reaching significance have been made in the mainland-Taiwan relationship in the past decade.

However, observers here believe these changes are still far from the target made in the "message to compatriots in Taiwan," in which Beijing proclaimed the policy of striving to reunify China peacefully and proposed the exchange of mails, trade, and air and shipping services.

Obstacles come mainly from the Taiwan authorities' policies toward the mainland, which have only shown limited flexibility.

Recently, Taipei reiterated its anti-communist stand, criticized the Taiwan residents' demand for further opening as "too naive," and asserted that their "three nos" policy (no contact, no compromise and no negotiation with the mainland) will remain unchanged. The authorities there further advocated the so-called "elastic diplomacy" aiming to create "two Chinas" or "one China, one Taiwan."

Some scholars have pointed out that these actions run counter to the international trend toward the solution of problems peacefully and the will of the Chinese people.

#### RENMIN RIBAO Editorial

HK3112070288 Beijing RENMIN RIBAO in Chinese  
31 Dec 88 p 1

[Editorial: "Peaceful Reunification of the Motherland Is the Trend of the Times—Commemorating the 10th Anniversary of the Publication of 'A Message to the Compatriots in Taiwan'"]

[Text] It will be New Year's Day 1989 tomorrow, and the 10th anniversary of the publication of "A Message to the Compatriots in Taiwan". On this happy and auspicious occasion, more than ever we think of our elders, brethren and sisters on the other side of the strait, and are more eager for the early peaceful reunification of the motherland.

Ten years ago, Taiwan and the mainland had been separated for nearly 30 years. A short distance away yet poles apart. Our compatriots suffered bitterly because of their separation from their flesh and blood. Out of a high sense of responsibility for our country and nation, and to put an early end to the split of our motherland, the CPC determinedly put forward a major guiding principle of peaceful reunification, and the NPC Standing Committee published "A Message to the Compatriots in Taiwan." The message reveals the inner feelings of compatriots and advocates the righteous cause of national unity. They are words from the bottom of our hearts, full of deep affection. Thereafter, leaders of the CPC Central Committee have successively put forth a series of ideas on "one country, two systems," and so on. They are open and aboveboard, and what they have advocated is rational. This has opened up a new channel for the peaceful reunification of the motherland. Nobody can deny the fact that the far-reaching influence produced by these important measures has played an important role in improving relations between both sides of the strait, and in promoting the reunification of the motherland.

Reviewing the situation of the Taiwan Strait over the past 10 years, we discover that truly gratifying and encouraging changes have taken place. The long-term

military confrontation between the two sides has eased, and the frozen state of separation has begun to thaw. Tens of thousands of Taiwan compatriots have come to the mainland to visit their relatives or friends, or seek their roots. Economic and trade contacts between the two sides have increased, and their nongovernmental exchanges in culture, academic fields, sports, and so on have progressed step by step. In the course of promoting various kinds of links and contacts, people on both sides of the strait have continuously enhanced their understanding, and gradually ended their estrangement. This result is due to the concerted efforts exerted by people on both sides of the strait. The important promoting role played by Taiwan compatriots is obvious to all, and their contributions cannot be denied. Due to strong demands from the public in Taiwan, the authorities have adopted some measures beneficial to the improvement of relations between the two sides. During his lifetime, Mr Chiang Ching-kuo made a decision on allowing Taiwan people to come to the mainland to visit their relatives. People will never forget this.

The development of events over the past 10 years has proved that peaceful reunification of the motherland is the trend of the times and the desire of the people. More and more people have realized that ending the split and realizing reunification is an irreversible historical trend.

As Zhao Ziyang, general secretary of the CPC Central Committee, has pointed out: Both sides of the strait have a number of common understandings and a profound foundation in political, economic, and cultural tradition. Both sides have stuck to the stand of one China, and insisted that Taiwan is an inalienable part of China. Both sides need mutual cooperation to jointly develop the national economy and enhance people's living standards. Both sides have a need for inheriting, and our fine national cultural tradition should be continued, so that the brilliant culture uniting our Chinese nation will continue to make a great contribution to the civilization of the world. There are numerous reasons for Taiwan and the mainland to unite, and there is no reason for them to maintain their split. In particular, in the world today, tension has been easing, and confrontation is being turned into dialogue. The international situation as a whole is beneficial to peaceful reunification in China, and has urged China to realize its peaceful reunification. The realization of reunification is beneficial to both sides giving play to their own respective strong points. This is helpful to strengthening the comprehensive national power of China, so that we will not lag behind in competition with other countries. This truly concerns the future destiny of China, and determines the future of Taiwan as well. Only through the reunification of the country can Taiwan maintain its stable development and prosperity.

The earlier reunification happens the better. It is an impractical idea that Taiwan can exercise sovereignty over a part of the country forever. The problems of Hong Kong and Macao, which were left over from history,

have been satisfactorily solved on the basis of the principle of "one country, two systems." These two regions, which have been separated from the bosom of the motherland for a long time, will return to us again soon. The problem of reunification between Taiwan and the mainland has been markedly placed in front of the Chinese people.

However, to our regret some of the Kuomintang [KMT] authorities still hold the short-sighted view of opposing communism, and propagate the so-called "consciousness of separating the enemy from us." They try to hamper the development of relations between the two sides on various pretexts, and to maintain the present separation for a long time. They have even retreated from the previous stand of "one China," and advocated the so-called "elastic diplomacy," and "double recognition" based on "two Chinas" or "one China, one Taiwan." What they are doing does not enjoy popular support. It is detrimental to the future of the KMT, and is a purely futile effort. The PRC is the only legitimate government of China. This is recognized by the majority of countries in the world. No country could accept the ridiculous idea of letting two governments exercise state sovereignty. The "Taiwan independence movement" runs counter to the trend of the times. They have completely disregarded the basic interests of the state and nation, and doubled their efforts to preach splittism. They will come to no good. If they refuse to come to their senses, they will become the guilty persons of the nation.

It is everyone's responsibility to work for the reunification of the state. "A Message to the Compatriots in Taiwan," published 10 years ago, stresses: "We pin our hopes on Taiwan people, and the Taiwan authorities." Our principled stand has not changed to date, and we will unswervingly stick to it in the future. The realization of the reunification of the country is determined by the staunch will of 20 million Taiwan compatriots to strive for peaceful reunification, and their strong promoting power. Actually, on Taiwan island there are more and more men of insight who are overcoming various kinds of obstacles to promote contacts and dialogue between the two sides, and are doing their utmost to explore a way for the peaceful reunification of the motherland. Taiwan people are able to urge the Taiwan authorities to adopt a wise policy. We are willing to discuss state affairs together with various political parties, organizations, and people from various circles in Taiwan. There is no denying the fact that the attitude of the Taiwan authorities is a key factor for the realization of the peaceful reunification of the motherland. The Taiwan authorities are shouldering an unshirkable historical task, and can accomplish something magnificent in this regard. There is an old Chinese saying: "Whosoever understands the sign of the times is a great man." We hope that the decisionmakers of the KMT will conform with the trends of the times, change their course, and abandon the "Three No's policy" which is out of keeping with the times. They should promote early official contacts and talks between the KMT and the CPC. At present, it is

urgent that we demolish the man-made fence to realize the "three communications." Contacts between people on both sides should be fully promoted, and exchanges and cooperation in the fields of economy, culture, academic areas, and so on must be expanded, so that they can strengthen their links and increase common understanding to speed up the process of reunification.

While marking the 10th anniversary of the publication of "A Message to Compatriots in Taiwan," reviewing the past and looking forward to the future, we have both stronger determination and confidence in striving for the reunification of the motherland. We strongly appeal for all people who love the Chinese nation to go forward hand in hand to make concerted efforts for the reunification of the motherland and the invigoration of the great cause of the Chinese nation.

**Official Says Direct Trade With Taiwan in Sight**  
*HK2912030388 Beijing ZHONGGUO XINWEN SHE*  
*in Chinese 1411 GMT 25 Dec 88*

[*"One-Way, Indirect Trade Between the Two Sides of the Strait Has Come to an End, Says a Chinese Trade Official"*—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 25 Dec (ZHONGGUO XINWEN SHE)—Mainland Economic and Trade Department officials responsible for Taiwan trade confirmed the other day that the history of one-way, indirect trade between the mainland and Taiwan has ended. This year alone, several vessels have shipped mainland coal to Taiwan, while hundreds of Taiwan's small to medium-sized enterprises have invested and set up factories on the mainland.

The latest issue of LIAOWANG weekly here carries an article titled "From Separation to Two-Way Interflow," which reviews the development of trade and economic relations between the two shores over the past 10 years.

The article states that for the past 10 years the trade flow between the two shores has developed from virtually nothing to a small, and then large scale. The mainland has adopted a series of measures designed to promote trade between the two shores. For instance, in exporting goods to Taiwan, various mainland foreign trade companies arranged priority supply of commodities which, judging from Taiwan's market demand of them, were in shortage. These companies also made long-term and

stable preparations for bulk raw materials, such as coal, to be exported to Taiwan. Despite the Taiwan authorities' attitude, which took the stance of obstructing the mainland's "Three Communications" proposal, the objective need of Taiwan's economic development required the furthering of economic and trade relations between the two shores, a direction that also corresponds to the interests of Taiwan's industrialists and business men. The rapidly increasing indirect trade between the two shores forced Taiwan authorities to step by step relax restrictions on the indirect trade between the two shores. According to statistics conducted by the concerned sectors, between 1979 and 1987, the total trade volume between the two shores via Hong Kong was \$5.5 billion, of which \$1.1 billion was mainland exports, via Hong Kong, to Taiwan, and Taiwan goods imported in the mainland, also via Hong Kong, accounted for \$4.4 billion.

The article claimed that 1988 was the year that saw a turning point in the development of trade relations between the two shores. The scale of economic and trade flow between the two shores, which has continued to expand, for the first time broke the \$2 billion point. This year close to 300 investment items were made by Taiwan compatriots on the mainland, with the amount of investment totaling over \$200 million, more than triple the investment items and amount made several years before. A trend for an open, legal and two-way economic and trade interflow had appeared. Moreover nongovernmental economic and trade organizations between the two shores have made open contacts to discuss problems arising from indirect trade.

The article stresses that the economic adjustment on the mainland would not affect the economic and trade development between the two shores. It has been discovered that the concerned departments on the mainland are working on a series of measures aimed at providing further protection on goods supply sources and transport in Taiwan trade. The concerned departments will also work to raise the efficiency of services for Taiwan-funded enterprises and trade between the two shores, so that more economic and trade information will be provided to Taiwan compatriots.

The article calls on the Taiwan authorities to relinquish various unreasonable restrictions on trade between the two shores, to put an end to hostility and open direct trade between the two shores.

**Effects of PRC Laws May Be Accepted as Fact**  
*OW0201225589 Taipei CHINA POST in English*  
27 Dec 88 p 12

[Text] In an unprecedented statement, Justice Minister Hsiao Tien-tzang yesterday said that Taipei may "accept as facts the effects of certain Communist Chinese laws, including administrative punishments and court verdicts" in drafting a special law governing contracts between the two sides of the Taiwan Strait.

But the minister, qualifying the announcement which has been described as the "most sensitive statement in regard to legal matters" between the two sides, said that this does not mean the government "directly or officially recognizes" Communist Chinese laws.

The effects of certain laws in Communist China may "serve as a reference" for the government here Hsiao said.

Hsiao issued the statement during a report to the National Assembly's Constitutional Research Committee yesterday.

It constitutes one of five principles outlined by Hsiao which his ministry plans to follow in drafting a special law to govern private contact between mainland and local residents.

The local CHINA TIMES EXPRESS said Hsiao's statement was an "indirect and conditional recognition" of the effects of certain Communist Chinese laws.

The principles named by Hsiao are safety and security, facts and reality, equality and fairness, overall evaluation and consideration, and prospects of future development.

Hsiao said his ministry must take time to study the institution of a special law, especially since Taipei's stance toward mainland China has not yet been set clearly. He called for careful evaluation of the policy from both political and legal angles.

In his speech, Hsiao also noted the dilemma his ministry is facing in drafting such a law.

"We do not consider the laws instituted and enacted by the Chinese Communists effective and applicable in our society. "The biggest problem is that on the one hand, we have no way of enforcing our laws in mainland China; and on the other, we have no way to deny various legal matters there".

While some experts have suggested that Taipei and Peking use international laws or practices or establishing a federal legal system similar to those used in the United States and Britain, Hsiao said that this case is more complex because Taiwan and the mainland are one country.

"We believe that none of these (laws) can be applied because there is only one China. Mainland China is not a foreign country and therefore international laws and practices are not applicable.

"If we adopt international laws or practices, this is tantamount to admitting that mainland China under the Chinese Communists is a foreign country.

"If we adopt a federal legal system, this means we recognize Peking's 'one country, two systems' proposal," Hsiao said.

**Premier Says Mainland Policy To Continue**  
*OW3112183988 Taipei CNA in English 1536 GMT*  
31 Dec 88

[Text] Taipei, Dec. 31 (CNA)—Premier Yu Kuo-hua said Saturday [31] that the government will not back-track on its current policy toward the Chinese mainland in spite of the lack of "positive response" from the Chinese Communists to the policy.

Yu said that since the government adopted the new mainland policy with the lifting of the ban on visits to the mainland by local people last November, the Chinese Communists have been [word indistinct] their "four insinuations."

Internationally, the Chinese Communists have continued pressing foreign nations not to improve relations with the ROC, Yu said, adding that they have sent many mainland fishing boats to intrude waters around Taiwan to harass [word indistinct].

Nevertheless, the government will not have its mainland policy moved backward in the face of the many difficulties, Yu noted while receiving the overseas delegates to a Taipei seminar on future mainland policy jointly sponsored by the CHINA TIMES cultural [word indistinct] and the 21st Century Foundation.

He acknowledged that a gap does exist between the government and the [word indistinct] regarding the nation's mainland policy.

For example, he said, many private companies, hoping to take advantage of cheap labor [words indistinct] the mainland, are eager to invest there regardless of Peiping's united front ploys against the nation.

The government, however, with national security and long-term national interests its top concern, must take into account all problems while mapping out its mainland policy, Yu said.

He said the government is now drafting laws concerning relations between the two sides of the Taiwan Straits to deal with the problems arising from increasing contacts between the two sides.

He said the [word indistinct] government agencies will study the advantage and disadvantage of investing on the mainland and survey the opinions of those who have returned from visits to the mainland so as to create a national consensus of the mainland policy.

**Wego Chiang on Policy Toward Mainland**  
*OW0301125289 Taipei CNA in English 1138 GMT  
3 Jan 89*

[Text] Taipei, Jan. 3 (CNA)—General Wego Chiang, secretary-general of the National Security Council, said Monday [2 January] that liberalization of the government's policy vis-a-vis the mainland should not go beyond considerations of national security and public interests.

Chiang said in an interview with the Taiwan Television Enterprise (TTV) that the Republic of China Government has the responsibility to let the people know all the relevant facts about the mainland so that they will not make any wrong moves.

Commenting on suggestions that the government separate economics from politics in dealing with the mainland, Chiang said that would be "absolutely" impossible.

**Security Stressed in Indirect Mainland Trade**  
*OW3112003388 Taipei CNA in English 1506 GMT  
31 Dec 88*

[Text] Taipei, Dec. 30 (CNA)—The Ministry of Economic Affairs Friday [30 December] stressed that traders should be cautious when they indirectly import agricultural and industrial raw materials from the Chinese mainland.

Vice Economics Minister Li Mo said the government will widen the scope of indirect trade with the mainland by adding soon some 40 items to the list of goods that can be imported.

The government lifted its ban in July on importing some 50 agro-industrial raw materials from the mainland.

Li emphasized the principle of security in indirect trade with the mainland. "Such imports should not threaten the life of local commerce and industry," he said.

Referring to a board of foreign trade report that said the Peiping authorities had recently restricted the export of some agro-industrial raw materials, Li cautioned traders to pay attention and not to fall into their trade trap.

**Mainland Students Said Satisfied With Visit**  
*OW3112003188 Taipei CNA in English 1503 GMT  
31 Dec 88*

[Text] San Francisco, Dec. 30 (CNA)—Hsu Pang-tai, a Chinese mainland student studying in the U.S., returned to San Francisco Bay area from Taipei Thursday after a 10-day visit to the Republic of China.

Hsu and four other Chinese mainland students, who are conducting post-graduate studies in the U.S., visited Taiwan from Dec. 20 to 29.

Hsu, a graduate student in Asian studies at the University of California, Berkeley, told CENTRAL NEWS AGENCY that he and his partners are very satisfied with his visit to Taiwan.

People in Taiwan were very sincere and friendly toward them, he said.

"I saw a wealthy Taiwan and felt the blood-thicker-than-water feeling of the compatriots when I was there," Hsu said.

"I hope I'll have a chance to visit Taiwan again," he said. He also expressed his hope that this kind of visit by mainland students will be continued.

**Report on Mainland Recovery Planning Commission**  
*HK0201080989 Hong Kong HONGKONG STANDARD  
in English 2 Jan 89 p 4*

[By Paul Mooney in Taipei: "Taipei's Old Soldiers, and Mainland Dream, Fade Away"]

[Text] Time and politics are taking their toll on Taiwan's Planning Commission for the Recovery of Mainland China. In the 34 years since it was established, more than 1,000 of its original 1,883 members have passed away, their mission of recovery unfulfilled.

And now political reforms and the resulting increase in contacts across the Taiwan Strait are slowly pulling the rug out from under the commission, as more and more people begin to question its utility.

The most direct attack came on December 23 during the opening ceremony of the commission's annual plenary session.

Before Chairman General Hsueh Yueh, 93, could deliver the opening address, opposition members of the National Assembly approached the podium and tried to present him with a styrofoam airplane emblazoned with the words "Flying to Nankin" and "Parliament in Exile".

The island's ruling Kuomintang (KMT) still maintains that Nanjing (Nanking) is the capital of China, and only partial elections have been held for congressional bodies since the KMT retreated to the island after its defeat by the communists in 1949.

The National Assembly's only function is to choose the president, for which it meets every six years. Otherwise it meets only once a year.

Members of the opposition Democratic Progressive Party, many of whom favour independence for Taiwan, attacked their commission counterparts.

"The whole of China belongs to the People's Republic of China and Mongolia is a separate country," said Mr Hong Chi-chang, a DPP assemblyman.

"This is a political reality and so how can the commission have this goal 'of retaking the mainland'?"

KMT members of the commission said they had a responsibility to their comrades on the mainland and the body served a useful purpose. But the commission no longer speaks of a military recovery.

"Politically speaking, our mission remains unchanged," said Mr Hsu Sze-te, spokesman for the commission.

"However, we like to use the word reunification instead of recovery. We emphasise political rather than military means, and by political we mean socially, economically and culturally."

Mr Hsu said the commission did not make policy on mainland China, but played an advisory role.

"We are not responsible for action, just study," he said

Taiwan's policy toward the mainland is decided mainly by the Executive Yuan's Task Force on Mainland China Affairs.

An introduction issued by the commission said it had held 12,400 committee meetings and produced more than 2,700 projects and plans since it was established.

Many special committees were also set up to prepare political, economic, agricultural and educational policies for "after the recovery of the mainland."

Reconstruction plans have been drawn up for each of mainland China's 21 provinces.

Projects divide work into three stages: The pre-recovery period, the recovering period, and the post-recovery period.

The commission, which is housed in a pre-World War II Japanese occupation-era building once used as a sanitarium for opium addicts, has an annual budget of HK\$28 million. It was established in November 1954 after the National Assembly reconvened in Taiwan.

Critics say it has never really focused on recovering the mainland, and its main functions are to subsidise the meagre salaries of assemblymen and give them something to do in the years between choosing a president.

"The commission is merely a fiction," said Mr Li Hung-hsi, a professor of constitutional law at National Taiwan University. "It is just another way to add more to the salaries of the members of the National Assembly. It holds meetings to avoid criticism, but it does not carry out any good research or projects, and it sometimes just discussed Taiwan affairs."

Commission members are also criticised as too old. The average age is 77, and of 973 members, 83 are not National Assemblymen but "experts," with an average age of 82.

Mr Chang Chun, a senior advisor to the president, is 100 years old. Several members at this year's meeting needed help getting around and nurses were on duty outside the assembly hall.

The lack of public and media interest in the plenary session was highlighted by the small number of reporters covering the session. Most press reports focused on the fracas with opposition members, making little or no mention of the content of reports.

#### **Taiwan-U.S. Rice Agreement Expires, No Renewal**

OW3112053188 Taipei CNA in English 1547 GMT  
30 Dec 88

[Text] Taipei, Dec. 30 (CNA)—The Republic of China [ROC] will neither renew the five-year ROC-U.S. rice export agreement, which expires Dec. 31, 1988, nor open the local market to foreign rice, the Council of Agriculture reaffirmed Friday [30 December].

The agreement, signed in Hawaii in 1984, imposes an export quota on the ROC under which the nation can export no more than 1.75 million metric tons of rice during the five years from 1984 to 1988.

It also stipulates that the nation can only sell rice to nations whose 1981 per capita income was lower than \$795.

Since the accord took effect, ROC rice exports have been seriously affected with export volume totaling a mere 770,000 metric tons in the nearly five years ending December 1988.

The ROC Government has repeatedly declared that it would resist U.S. pressure to extend or renew the accord because it is unfair to the nation and has hurt local farmers.

Trying to divert U.S. pressure, Fredrick Chien, chairman of the Council for Economic Planning and Development and former ROC representative to Washington, has pledged that the goal of the nation's rice policy is to satisfy its own needs and not to increase exports, so American rice interests should not feel threatened.

As to the U.S. demand that the ROC open the local market to rice imports, the Council of Agriculture said it is impossible for the nation to agree because this will seriously threaten local growers of rice, the basic food staple of the ROC.

**Legislator Urges Inspection of U.S. Beef**  
*OW0201053489 Taipei CNA in English 0359 GMT  
2 Jan 89*

[Text] Taipei, Jan. 2 (CNA)—The Government of the Republic of China [ROC] should take immediate action to protect domestic consumers against imported American beef containing hormone, legislator Jaw Shao-kong urged last Saturday [31 January].

Jaw was reacting to news reports that Japan and European Economic Community countries have made it clear that they would rather risk United States trade retaliation than allow imports of American beef because cattle in the United States are raised with hormone as growth stimulant.

He pointed out that the ROC is also a major importer of American beef, consuming hundreds of thousands of tons each year. But apparently the American beef has been allowed into the nation without safety inspections on its hormone content.

Jaw urged the government to ensure the health of domestic beef consumers by establishing safety standards for chemical residuals in the meat.

An overall review is necessary on the sanitation of imported foods to prevent ROC people from becoming "victims of junk foods forced on us by economic powers," he said.

**Foreign Minister on Seeking Improved Foreign Ties**  
*OW3112054088 Taipei CNA in English 1556 GMT  
30 Dec 88*

[Text] Taipei, Dec 30 (CNA)—Foreign Minister Lien Chan emphasized Friday [30 December] that the Republic of China [ROC] will flexibly seek to establish substantive ties with all friendly countries around the world.

The Ministry of Foreign Affairs will actively develop "interests" that can be shared with other countries, Lien said in a year-end news conference.

Outlining the ways his ministry will adopt to promote the nation's foreign relations, Lien pointed out that efforts will be made to build bonds with countries that have thus far not established substantive ties with the ROC, and to upgrade current substantive ties to the semi-official or even official level.

He also responded to the Chinese communists' verbal attack several days ago on the flexible diplomatic policy adopted by the ROC Government. The Peiping regime claimed that the policy's goal was to create "two Chinas."

The Chinese communist regime has not slackened a bit its united front tactic of isolating the ROC in the international community, but Lien stressed that the ROC is not afraid of the enemy's hostility. "On the contrary," Lien said, "we will try our best to fight for the nation's interests and the public's well-being."

The foreign minister claimed that while there had been some failures in the past year, the ROC had posted an additional general counsel in Paraguay and had opened representative offices in Liberia, Ireland, the United States (Miami), and West Germany (Munich).

Asked about the government's stance on the forming of a new Palestinian state, Lien replied that the ROC always respects the principle of "self-determination" and would therefore be "pleased" to see the establishment of such a new country.

Lien said that this position was clearly established when Sun Yun-suan, then ROC premier, visited Saudi Arabia many years ago.

As to ties with the Southeast Asian countries which he recently visited, Lien said that the ROC's ties with them have long been close. Trade between the ROC and Southeast Asia totaled \$6.3 billion in 1987 and is expected to increase to U.S. dls 6.5 billion this year.

Lien said that the ROC Government is working energetically to reduce fishery disputes with Southeast Asian countries by seeking to sign fishery agreements with them.

**Trade Board Urges Promotion of Global Trade**  
*OW3112051088 Taipei CNA in English 0315 GMT  
31 Dec 88*

[Text] Taipei, Dec. 31 (CNA)—The Republic of China should actively promote global trade to prevent the nation's exports from declining, Chiang Pin-kung, director general of the Board of Foreign Trade [BOFT] said Friday [30 December].

Chiang told reporters that the nation's trade hit a laudable record of US dls 110 billion in 1988, advancing the country from last year's 14th to this year's 13th biggest trading nation of the world.

This year, however, the nation's trade surplus fell from 1987's US dls 19 billion to US dls 10.5 billion, or a decline of 44.7 percent as a result of increased trade diversification, Chiang said.

The surplus in trade with the United States is expected to drop 35.6 percent to US dls 10.3 billion from 1987's US dls 16 billion, Chiang said.

The government's efforts to diversify exports to Japan, Europe and Southeast Asia have increased proportionally, lessening past market concentration in the U.S., he indicated.

Chiang warned that the government should seriously consider trade problems with the U.S. and Japan as exports to the U.S. showed a negative growth and the trade deficit with Japan rose to US dls 6 billion.

The BOFT chief estimated that export growth for 1989 would drop from this year's 13 percent to 10 percent, and import growth fall from 1988's 44.9 percent to 20 percent, with the trade surplus sharply shrinking to US dls 6.5 billion.

Facing a relatively unfavorable trade climate in 1989, the government should stabilize the new Taiwan dollar, Chiang suggested.

To try to revive the nation's export momentum, the board will implement a global trade promotion plan by expanding trade ties with eight trade regions, including the United States, Japan, Europe, Southeast Asia, Central and Southern America, Africa and socialist countries.

The government should also continue to eliminate all domestic trade obstacles, simplify import-export procedures, revise trade policy towards socialist countries and the Chinese mainland in order to create a new trade picture for 1989, Chiang said.

**Traders Encouraged To Build Global Networks**  
*OW0201062789 Taipei CNA in English 0550 GMT  
2 Jan 89*

[Text] Taipei, Jan. 2 (CNA)—Some 160 local trading firms have established 242 trading offices in 22 foreign countries, the Board of Foreign Trade [BOFT] said Sunday [1 January].

To encourage local traders to build global trading networks, BOFT said the government is planning to modify procedures allowing local trading firms to more easily establish branch offices abroad.

Traders will only need to register with the Board of Foreign Trade instead of applying for approval to set up branch offices abroad, BOFT said.

At present, 123 of the ROC's [Republic of China] private branch trading offices have been set up in the United States, followed by Japan with 41 offices, and Hong Kong, 19 offices. The remaining 59 branch offices are in 19 other foreign countries including West Germany.

As a part of the ROC's efforts to diversify its markets, the number of ROC branch trading offices in the United States fell by six in the past year, while the Asian region gained 19 new offices and the European region eight offices, the BOFT said.

**Guidelines Drafted for Trade With Socialists**  
*OW3112050488 Taipei CNA in English 1538 GMT  
28 Dec 88*

[Text] Taipei, Dec 28 (CNA)—The Board of Foreign Trade [BOFT] has completed a draft of the guidelines for trade with socialist countries except for the Chinese mainland, the Soviet Union, Albania, and North Korea, ranking BOFT official said Wednesday.

Li Chang-ku, BOFT deputy director general, said the BOFT has developed the guidelines because the ROC [Republic of China] basically does not have [words indistinct] to regulate trade with socialist countries.

As to telecommunications problems, Li said the nation can communicate directly with the socialist countries except for the China mainland and the Soviet Union.

Touching on [words indistinct], Li stressed that all merchandise should be imported or exported via third countries or regions if direct trade with the countries is still prohibited.

The guidelines are subject to the approval of the Economics Ministry.

**Economic Affairs Ministry Agrees**  
*OW3112060188 Taipei CNA in English 1538 GMT  
30 Dec 88*

[Text] Taipei, Dec 30 (CNA)—The Ministry of Economic Affairs [MOEA] has agreed in principle to the idea of direct trade with most socialist countries, except for the Soviet Union, Albania, and North Korea, Vice Economics Minister Li Mo said Friday [30 December].

The Board of Foreign Trade has recently worked out measures for the conduct of direct trade with socialist countries in accordance with the MOEA decision, Li said.

Citing Vietnam as an example, Li said that it has not engaged in any unfriendly acts towards the ROC [Republic of China] recently; moreover, it has also allowed the ROC national flag carrier China Airlines to fly through its flying information zone.

Li cautioned, however, that trade should be conducted with care with such socialist countries as Vietnam, Cambodia, Laos, and Cuba because the ROC does not yet fully understand their economic and trade practices.

**Trade With Japan Expands in Jan-Nov Period**  
*OW2812131888 Taipei CNA in English 1132 GMT  
28 Dec 88*

[Text] Taipei, Dec. 28 (CNA)—Import and export trade between the Republic of China [ROC] and Japan grew by 25.9 percent to US\$21.48 billion in the period from January through November of the current year, government trade officials said.

They added that the bilateral trade transactions in the like duration indicated a boost of more than US\$4.42 billion compared with US\$17.06 billion carried out in the corresponding period last year.

According to official statistics conducted by the Board of Foreign Trade [BOFT], the nation's top trade governing and promotional organization, and the private Euro-Asia Trade Organization, the January-November trade deal with Japan represented 21.2 percent of the ROC's overall trade around the globe worth US\$101.22 billion.

Japan is the nation's largest trading partner in Asia, followed by Hong Kong and Singapore.

In the 11-month period, the ROC exported its products to Japanese buyers totalling more than US\$8.02 billion, denoting a rise of US\$1.72 billion or a jump of 27.3 percent over the value of US\$6.30 billion for the same months in 1987.

Imports of Japanese goods were listed at over US\$13.45 billion, up by US\$2.70 billion for a growth of 25.1 percent against US\$10.75 billion conducted a year ago, the official tabulations showed.

Among the ROC's other Asian trading partners, Hong Kong engaged in transactions topping US\$6.41 billion, accounting for 6.3 percent of the nation's entire value posted for the 11-month period.

The two-way trade with businessmen in Hong Kong yielded an upsurge of US\$1.97 billion or an expansion of 44.5 percent compared with US\$4.44 billion a year earlier, officials of the BOFT said.

Outbound shipments to Hong Kong chalked up US\$5.05 billion, growing by US\$1.31 billion or 35.2 percent over the amount of US\$3.74 billion in 1987.

In return, the country shipped in goods from Hong Kong priced at US\$1.36 billion, resulting in a hike of US\$658.5 million or a surprising soar of 94.3 percent from the price tag of US\$698.2 million registered for the January-November months last year.

**Restrictions on Visits Abroad Relaxed**  
*OW3112050088 Taipei CNA in English 0321 GMT  
31 Dec 88*

[Text] Taipei, Dec. 31 (CNA)—The Ministry of Education announced Friday [30 December] that starting on Feb. 1 1989, residents of the Republic of China [ROC] will be allowed to visit their children-in-law studying overseas.

The current regulations specify that the parents, spouses and children under 18 of ROC nationals studying abroad are eligible to apply to visit or to go abroad to live with them.

**Li Gives New Year, Founding Anniversary Speech**  
*OW0201050189 Taipei CNA in English 0313 GMT  
2 Jan 89*

["President Li Teng-hui's 1989 New Year's Day Message"—CNA headline]

[Text] Taipei, Jan. 2 (CNA)—Ladies and gentlemen:

Today is New Year's Day, 1989; it is also the anniversary of the founding of the Republic of China 78 years ago. On this day of new beginnings, each one of us is filled with great confidence and hope as we welcome the arrival of an even more brilliant and challenging new year.

The past year was indeed an unforgettable one. The late President Chiang Ching-kuo passed away after dedicating his utmost efforts to promoting the welfare of the people and accelerating the great task of modernizing our nation, leaving us with fond and grateful memories of him. However, profoundly mindful of our great responsibility, we immediately channeled our grief into strength, rising up as one with firm resolution from the strength of our unity, continuing our efforts to carry out the final will of the late president to complete the unfinished task. We have again demonstrated to the world with concrete actions that the Republic of China is a nation that can stand up to test, and that the Chinese people are an outstanding and capable people with dignity and strength. We have taken yet another great stride forward on the broad road to full constitutional democracy.

Today is the 40th anniversary of the removal of the government to Taiwan. On this bastion of national revival, with almost no base to work from, the government recommenced its task of national resurgence and recovery. Over the past 40 years, under the leadership of the successive presidents, vast changes have taken place

in the spiritual and material development of our bastion of national revival. Political democratization and liberalization, rapid economic growth, the upgrading and development of education, and a secure, content, and prosperous society have all won us a high degree of affirmation by the international community. We have at the same time become the single object of hope for all Chinese who seek freedom and happiness. Chinese have pursued the ideal of modernization for more than 100 years; the first steps towards this have now finally been realized through the "Taiwan experience." The desire by Chinese on both sides of the Taiwan Strait to seek reunification has now appeared on the horizon, on the foundation of the "Taiwan experience."

The "Taiwan experience" refers to the valuable experience and fruits obtained through the wisdom, blood, and sweat of the government and people, civilian and military alike, by following the guidelines of the three principles of the people, combining the traditional and the modern and encompassing both ideal and reality, to pursue progress for the nation and dignity for each individual. This hard-won experience has infused Chinese culture with new blood, and has set a new course for China's future. It is the fruits of the participation of each one of us, and is a source of common pride for us.

The continued stable and vigorous development of our bastion of national revival has been acclaimed as a model for newly industrialized countries. However, a number of incidents of maladjustment have emerged in this period of social transition. We must, with total resolution and boldness, set these things aright as rapidly as possible, so that we can meet the new era with a new political, economic, and social structure. We must reset our life ideals to establish a modern ethical and moral code; we must raise the quality of government administration to improve the efficacy of our service to all the people; we must cultivate the concepts of and adherence to a set of behavioral standards for both the government and people.

We must also uphold the dignity of the law and thoroughly eradicate special privileges and seeking of undue personal benefit, to purify our political environment; we must elevate our spiritual culture and put an end to violence and extravagance, to purify our social environment; we must strengthen our protection of the ecological balance, and wipe out pollution, filth, and disorder, to purify our living environment. If every person makes it his personal responsibility to help establish an equitable, harmonious, and clean society, the achievements of the "Taiwan experience" are sure to shine even more brilliantly than before.

Based on this confidence and hope, we declare to all people at home and abroad who share a concern for China's future: The "Taiwan experience" is a treasure that belongs to all Chinese people. The facts have already borne out that 40 years of wanton communist rule on the Chinese mainland have not only resulted in the stifling

of the vigorous, vast, and rich creativity of Chinese culture, but also in the erosion of the traditional Chinese virtues of diligence, honesty, and sincerity. A modern society cannot be built on a frame that runs counter to reason and popular will. History tells us that any attempts or actions that violate Chinese culture will be collectively rejected by the people and will be unable to take root and develop. We sincerely hope that all proposals seeking to resolve the issue of China's future uphold the highest values of morality and courage, abandon narrow-minded ideologies or regional concepts, and return to Chinese culture, to cooperatively promote the "Taiwan experience," contributing their finest efforts to planning for the long-term welfare of all the people.

We also wish to declare to all the peace-loving and prosperity-seeking nations of the world; in this age in which international relations are growing closer by the day, and regional organizations are becoming increasingly integrated, the "Taiwan experience," which has created prosperity and equitable distribution of wealth, is the most valuable gift that the Republic of China has to contribute to the people of the world. We must now be more aggressive, concentrate harder on substantial and goal-oriented actions, and act with greater foresight as we participate in international activities, expand our foreign relations, and work to accomplish the goal of helping others achieve prosperity through economic cooperation and sharing our experience, so that the Republic of China will become an indispensable member of the international community in the area of cooperative development.

Ladies and gentlemen: Our founding father Dr. Sun Yat-sen led the national revolution and personally set down the three principles of the people, pointing out a concrete, viable path to prosperity, wealth, and well-being for China. The different paths of development followed by the two sides of the Taiwan Strait over the past 40 years have proved what our founding father Dr. Sun once said: "The destiny of China depends on whether the three principles of the people are put into practice." Having enjoyed the fruits of development under the three principles of the people on this bastion of national revival, we cannot ignore our responsibility to our mainland compatriots and to the people of the rest of the world. Let us put into practice the spirit of universal love and brotherhood as espoused by traditional Chinese culture. Let us extend our valuable experience to the entire nation, and promote it throughout the world, so that the great task of reunifying China may be accomplished at as early a date as possible, and the ideal of a great world commonwealth achieved as soon as possible.

I wish a brilliant future and prosperous destiny for our nation, and success and a Happy New Year to all of you. Thank you.

**Li Presides at Founding Anniversary Ceremony**  
*OW0201054389 Taipei CNA in English 0403 GMT  
2 Jan 89*

[Excerpt] Taipei, Jan. 2 (CNA)—President Li Teng-hui presided over a ceremony Sunday at the presidential office marking the anniversary of the founding of the Republic of China.

More than 400 central parliamentarians and central and local government officials participated in the meeting. After the singing of the ROC national anthem, President Li exchanged greetings with those in attendance, wishing everyone a Happy New Year and the nation prosperity. [passage omitted]

**Li Urges Continued Efforts for 'New China'**  
*OW0201054089 Taipei CNA in English 0424 GMT  
2 Jan 89*

[Text] Taipei, Jan. 2 (CNA)—President Li Teng-hui called Sunday for the nation to continue the efforts that have spawned "the Taiwan miracle" so that a new China under the three principles of the people can be established.

President Li, as Kuomintang chairman, gave his counsel while officiating at a KMT Central Committee meeting, during which New Year greetings were exchanged.

Li said that January marks both the founding of the Republic of China 78 years ago and the beginning of 1989. "While we are ushering in a new year, we are also reminded of the hardships in establishing the Republic."

The "Taiwan miracle" was created under the guidelines of the three principles of the people and the able leadership of the late Tsung-tsai [honorary title for Chiang Kai-shek as president of the KMT] Chiang Kai-shek and Chairman Chiang Ching-kuo after four decades of ceaseless efforts, Li noted.

Li urged the KMT officials to continue their work which, he believes, will allow the KMT to found a new China.

He hoped all KMT members from every corner of the nation, both young and senior, can work together and rededicate themselves to the realization of the party's cause, the rebirth of the mainland under the three principles of the people.

Li also hoped that the KMT's unity can be expanded so that all fellow countrymen can be united together spiritually. When the goal is realized, a powerful force will be produced so that nobody can stop the KMT's success, Li said.

**Radio Commentary Marks Founding Anniversary**  
*OW0301003989 Taipei International Service  
in English 0200 GMT 2 Jan 89*

[Station commentary: "The Republic of China's 78th Year"]

[Text] New Year's Day always carries special meaning for Chinese, specially those on Taiwan, because it is also the day that the Republic of China was founded. The day marks the 77th birthday of the Republic of China.

The Republic of China was the Asian continent's first republic. It was founded by Dr. Sun Yat-sen, on the heels of the October Wuchang revolution. That uprising ignited, once and for all, the Chinese people's fervor to overthrow the decrepit Ching Dynasty rulers.

Since its founding on January 1, 1912, the Republic of China has traversed a rocky road of existence. The republic got off to a weak start when warlords refused to deliver suzerainty to the people. The founding father was named the republic's first provisional president; yet even that endeavor was cut short by the bizarre, selfish interests of particular warlord named Yuan Shih-kai. Yuan seized power and attempted to return China to her imperial ways.

After Sun's death in 1925, the mantle of republican leadership was handed to Sun's chief confidante, General Chiang Kai-shek. The young general soon set out to defeat the warlords and unify the country under the republic's banner. In 1928, this task was accomplished after Chiang's successful northern expedition.

But unity proved to be fleeting once again. This time, the Chinese Communist Party, still in its fledgling state, broke away and virtually declared war on the Nationalists, whose party was, and still is, today rooted in the teachings of Sun Yat-sen.

The disunity was then exacerbated by the invasion of China by the Japanese militarists in 1937. For the next 8 years, the young Chinese Republic wavered on the edge of survival. The Japanese totally ravaged the entire nation, leaving her in shambles. But the indomitable spirit of the Chinese held firm, and little-by-little their heroic resistance wore down the Japanese invaders. The Sino-Japanese war ended in victory for China in August 1945. But the victory celebrations were shortlived; yet another tragedy lay in waiting for the exhausted republic.

This was the Communist rebellion led by Mao Tse-tung. With the help of the Soviet Union, the Chinese Communists overran the Chinese mainland bit by bit. Despite the devastation of the civil war, Chiang Kai-shek and the Nationalists remained committed to carrying out the republic's original goals of establishing democracy in China. In 1946, the nation's first Constitution was promulgated. It was followed by nationwide elections in 1948, also the first in China's long history.

But the Communists would have nothing of it. They continued their reign of terror, until they finally usurped power in late 1949. The Government of the Republic of China moved to the island Province of Taiwan, where it took up a last stand against Mao's Red Army.

Those dark days in the Republic of China's history have since come to pass, giving way instead to the brighter prospects created by the successful developmental experience on Taiwan over the past 4 decades.

Birthday celebrations in the Republic of China on Taiwan are always held with a degree of mixed emotions. On the one hand, Chinese on Taiwan are thankful for the blessings of prosperity and democracy they enjoy. Their hard work and determination to make the founding father's dream of building China into a free, democratic, and prosperous nation have, for the time being, succeeded in turning Taiwan into a model of Chinese development.

On the other hand, Chinese on Taiwan realize that the founding father's goals have only been partially met; Taiwan is but a stepping stone in the Republic of China's quest to bring freedom, prosperity, and democracy to all Chinese. As she begins her 78th year, the Republic of China will redouble her efforts to turn these goals into realities.

**Commentaries Review 1988 Political Situation**  
*OW3112133888 Taipei International Service*  
*in English 0200 GMT 31 Dec 88*

[Station commentary: "1988: The Year in Politics"]

[Text] Public opinion polls in the Republic of China [ROC] on Taiwan all agree that the year's top newsmaking story came right at the beginning: that is, the death, on January 13th, of President Chiang Ching-kuo.

As 1987 came to a close, there were many rumors about the President's health; yet the news still came as a shock, if not mostly for the fact that his death meant the end of an era, and the beginning of new, uncharted territory for the ROC on Taiwan.

As rumors about his health circulated, there was much talk about whether or not a smooth succession of executive power would follow him. The foreign media had their doubts, though those in the know about Taiwan affairs understood better that the constitutional rule on Taiwan was already firmly established.

The transition from the Chiang era to the administration of Li Teng-hui turned out to be the second biggest newsmaking story of 1988. Contrary to what the skeptics thought, Li's ascension to the Presidency occurred smoothly. Not only that, but Li was able to consolidate his power and maintain the dignity of the nation's highest office. After nearly a year in office, Li has demonstrated leadership qualities that have put people's minds to rest on the transition issue, and left the political opposition baffled. What's more, it looks as though Li will continue to ride a crest of popularity into 1989.

Politics also grabbed the national limelight when the majority party, the Kuomintang, held its 13th National Congress during the 2d week of July. The congress marked a turning point in the party's history as the torch of enlightened leadership was passed to a younger generation of new party blood. Specifically, the Kuomintang put on a new democratic face, holding democratic elections for its Central Committee. President Li Teng-hui was also elected chairman of the party, again following in the footsteps of Chiang Ching-kuo.

The party also reinforced its commitment to continued reforms and liberalizations, with a platform that pulled the political rug right out from under an astonished and divided opposition. Among other things, the party promised to rejuvenate the nation's parliamentary bodies, and formally legalize the formation of new political parties.

Also in the news throughout 1988 were the breathtaking changes occurring in the government's policies toward Mainland China. Though the fundamental position of not dealing with the Chinese communist regime in any official capacity remained unchanged, the government nevertheless opened more and more channels of people-to-people contacts. In December, mainlanders arrived in Taiwan for the first time in 40 years. The initial visitors were those with dying or seriously ill relatives on Taiwan. Then in late December a five-member group of mainland Chinese students residing in the U.S. came visiting. The mainland exchanges are continuing to expand, though the ROC Government on Taiwan has reiterated that it will proceed with caution, and gradually, in liberalizing contacts with the mainland.

The year 1988 was another year in which the ROC faced important crises and turning points and emerged from each with flying colors. President Chiang's death left the nation vulnerable to instability. But the foundations for development which he had set, and the processes of reform and liberalization which he had set into motion, made it through the crisis of his death, most importantly, with Taiwan's patented stability still intact. The success of 1988 has given the nation the confidence it will need to achieve similar success in 1989.

**Economy, Trade Discussed**  
*OW0101120189 Taipei International Service*  
*in English 0200 GMT 1 Jan 89*

[Station commentary: "1988: The Year in Economics and Trade"]

[Text] Yesterday, we commented on the year in politics, observing that it was a year of tremendous transition, reform, and liberalization in the Republic of China [ROC] on Taiwan. The nation made headstrong progress toward democracy, despite having to overcome the death of President Chiang Ching-kuo and the transition to a new era of political leadership.

On the economic front, the outstanding performance of the Taiwan stock market, the continued appreciation of the Taiwan dollar, and the tremendous influx of imported goods stole news headlines throughout 1988.

The stock market created vast wealth as players big and small flamed the longest upturn in the market's history. The Tai-Ex reached 8,000 points in early October, before declining gradually back to the present 5,000-mark. The wind was taken out of its sails when the government announced that a capital gains tax on stock profits would be reintroduced on 1 January 1989.

Meanwhile, the Taiwan dollar continued to rise in value against the U.S. greenback in 1988. It started the year at 29.5 to 1, ending at 28.1 to 1. Exporters here continued to oppose further appreciation on the basis that they would not be able to remain competitive in world markets. This issue caused strains in the ROC's trade relations with the United States, as the latter exerted more and more pressure on the ROC to revalue the Taiwan dollar. More strains were caused by U.S. pressure on Taipei to open farm and service markets to U.S. exporters. The ROC held its ground on most issues, asserting that it had already taken plenty of concrete actions to help the U.S. reduce its trade deficit with the ROC. Indeed, the ROC's trade surplus with the U.S. dropped some 40 percent in 1988.

In the meantime, Taiwan experienced a major influx of imported goods as a result of wide-ranging tariff cuts, opening of markets, and of course the appreciation of the Taiwan dollar. In the course of 1 year Taiwan became an importer's paradise, thanks to the fairer trade policies, quickly rising disposable incomes and more free foreign exchange practices.

For the year ending 31 December, the ROC on Taiwan recorded economic growth of some 7.8 percent, pretty much on target of early predictions. It was another boom year, despite the buffeting exporters took as a result of the higher value of the Taiwan dollar.

The ROC also ended the year as the world's 13th largest trading, and 21st richest nation, with per capita income of some 6,200 U.S. dollars a year. Her US\$70 billion in foreign reserves placed her second in that category behind Japan.

Nineteen eighty-eight will be remembered as a turning point for the ROC on Taiwan, a year when she shifted from the old reliance on exports for economic growth to imports and capital spending. The economy showed unprecedented maturity by remaining strong despite political shocks, such as President Chiang's death in January, and economic shocks, such as the appreciation of the Taiwan dollar. Overall, the economy looks to be primed for another boom year in 1989.

#### **'Year Ahead in Politics' Viewed**

*OW0301100789 Taipei International Service  
in English 0200 GMT 3 Jan 89*

[Station commentary: "1989: The Year Ahead in Politics"]

[Text] For the Republic of China on Taiwan, 1988 will be a hard act to follow in terms of political progress made. Nineteen eighty-eight marked a turning point in

the nation's political development, beginning with the death of President Chiang Ching-kuo a year ago. It was a year of transition as the reform and liberalization process begun by Chiang gained momentum.

All signs are that the momentum will continue into 1989 and beyond. Again, the focus will be on a series of new bills before the legislature. The year will then be capped off by nationwide legislative and local elections in December.

Among the important bills pending before the legislature, perhaps the most exciting is the Civic Organizations Law. It will legalize, once and for all, the formation of new political parties. Since the lifting of martial law in July 1987, several parties have sprung into existence from the traditional opposition ranks; yet, they are not officially recognized, pending approval of the Civic Organizations Law, which will govern the registration of new and old parties. The law will officially usher in the new era of competitive party politics.

A second bill that should see action in 1989 is a proposal for voluntary retirement for senior parliamentary deputies who have been frozen in office for 4 decades. This controversial bill comes from majority party circles. The opposition wants the senior deputies to retire en masse, without pensions, so that new general elections can be held for all three parliamentary bodies. But the majority-party-sponsored bill calls for voluntary retirement with a one-lump sum pension of some US\$100,000. The two sides will most likely haggle over the terms of the retirement well into the year. They share the same goal, however, which is to rejuvenate the parliament and make it more representative of the Taiwan area. In the meantime, some of the senior deputies have opted for honorable voluntary retirement without the pension.

Another major bill concerns the organic laws of the provincial assembly and provincial government. Efforts are underway in the legislature to restructure these two provincial bodies to give them more autonomy under the central government. The purpose is to eliminate much of the overlap that exists between central government and provincial government on Taiwan.

Perhaps the biggest political news of 1989 will come with a year-end bang, with the December national and local elections. The 1989 election is already shaping up to be unprecedented in terms of the degree of competitive party politics involved, and in terms of modern campaign tactics. Both the majority party and opposition are gearing up for what looks to be the first media-waged campaign in the nation's history. That, plus other amendments to the Election and Recall Law, will help make the 1989 election a major turning point in the Republic of China's march toward genuine democracy.

Thus 1989 also promises to be a year of great transition in Taiwan politics. As always, stability will remain the key to Taiwan's political developmental success. If stability can be maintained, the momentum of democratic progress will indeed continue throughout 1989 and beyond.

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